

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 5/7/2013	(3) CONTACT/PHONE Kerry Bailey 788-2979	
(4) SUBJECT Submittal of the review of the Inmate Cash Deposit and Inmate Welfare Trust Funds for the fiscal year ended June 30, 2011.			
(5) RECOMMENDED ACTION It is recommended that the Board receive the item and file.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: April 12, 2011	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors
FROM: James P. Erb, CPA, Auditor - Controller
DATE: 5/7/2013
SUBJECT: Submittal of the review of the Inmate Cash Deposit and Inmate Welfare Trust Funds for the fiscal year ended June 30, 2011.

RECOMMENDATION

It is recommended that the Board receive the item and file.

DISCUSSION

The Inmate Cash Deposit Trust Fund is managed by the County Sheriff-Coroner and represents cash held on behalf of inmates while they are incarcerated at the San Luis Obispo County Jail. Once funds are deposited, inmates can use them to purchase commissary items, post bail, and to pay court ordered fines and fees. Inmates may release funds to friends and family members, and individuals may deposit funds into the inmates' accounts as well. The Sheriff-Coroner's Office managed accounts for 12,575 inmates during the year under review.

The Inmate Welfare Trust Fund is authorized by California Penal Code 4025 and is to be used primarily for the benefit, education, and welfare of the inmates confined within the jail, as well as for the salary and benefits of personnel used in programs deemed appropriate. However, funds may not be used to pay required County expenses of confining inmates in a local detention system. Revenue for the fund is earned from sales of commissary items to the inmates and proceeds from telephone charges. Commissary items sold to the inmates are provided by Keefe Commissary Network Sales (Keefe). Once weekly, inmates select the desired commissary items on a "Bubble Sheet" that is submitted to a Sheriff's representative. The representative scans the bubble sheet into the JCMS system which is accessed by Keefe. Keefe then processes the orders, charges the inmates' accounts, and delivers the orders to the representative who verifies and delivers the orders to the inmates. Proceeds from phone charges are earned from collect calls made from telephones specifically designated for inmates. Global Tel* Link provides the phone service and returns 51% of the proceeds to the Inmate Welfare Trust Fund.

The purpose of our audit was to determine the accuracy of the Inmate Welfare Fund (IWF) Statement of Operations and to determine if transactions supporting the amounts reported in the Statement of Operations were appropriately recorded and authorized.

Another objective of our audit was to determine if the department had accountability for the funds' cash, if deposits were timely and intact, if the department was in compliance with the Auditor-Controller's Cash Handling Policy; and if internal controls were adequate.

The progress and results of our review were delayed due to the need to reassign staff to perform the State mandated agreed-upon procedures audits required by ABX1 26 which dissolved redevelopment agencies throughout the state.

OTHER AGENCY INVOLVEMENT/IMPACT

Sheriff-Coroner

FINANCIAL CONSIDERATIONS

As of April 22, 2013, the Inmate Cash Deposit Trust fund had a cash balance of \$28,468, and the Inmate Welfare Trust Fund had a cash balance of \$266,139.

RESULTS

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count. We found internal control weaknesses regarding the review, approval, and payment processes for the inmate exit medications and student vocational skills training, the two largest categories of expenditures in the IWF. These weaknesses are documented in the attached report to the Sheriff-Coroner along with the department's corrective actions.

Annual fiscal and compliance reviews of the Inmate Cash Deposit and Inmate Welfare Trust Funds are one of the tools used in cooperation with the Sheriff-Coroner to monitor oversight of the fiduciary funds. Annual monitoring activities help maintain reporting accountability and fiduciary responsibility and contribute to the County's vision of a well governed community.

ATTACHMENTS

1. Review of the County of San Luis Obispo Inmate Cash Deposit and Inmate Welfare Trust Funds



COUNTY OF SAN LUIS OBISPO

Office of the Auditor-Controller

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James P. Erb, CPA, CICA
Auditor-Controller

James Hamilton, CPA Assistant
Lydia Corri, CPA Deputy
Tamara Kalzuka, CPA Deputy

TO: IAN PARKINSON, SHERIFF-CORONER

FROM: JAMES P. ERB, AUDITOR-CONTROLLER *JPE*

DATE: APRIL 22, 2013

SUBJECT: REVIEW OF THE COUNTY OF SAN LUIS OBISPO INMATE CASH DEPOSIT AND
INMATE WELFARE TRUST FUNDS

Our office completed a financial review and follow-up of the County of San Luis Obispo Inmate Cash Deposit and Inmate Welfare Trust Funds for the fiscal year ended June 30, 2011.

Purpose

The purpose of our audit was to determine the accuracy of the Inmate Welfare Fund (IWF) Statement of Operations and to determine if transactions supporting the amounts reported in the Statement of Operations were appropriately recorded and authorized.

Another objective of our audit was to determine if the department had accountability for the funds' cash, if deposits were timely and intact, if the department was in compliance with the Auditor-Controller's Cash Handling Policy, and if internal controls were adequate.

Scope

The scope of our audit was the FY 2010-2011 Inmate Welfare Fund Statement of Operations, and the supporting transactions during FY 2010-2011 for both the Inmate Welfare Fund and the Inmate Cash Deposit Trust Fund. We conducted an unannounced cash count on March 6, 2012.

Results

We determined all cash funds and cash receipts on hand, in all material respects, to be in balance at the time of our count and that the internal controls for the Inmate Cash Deposit Trust Fund were in general compliance.

We determined the Inmate Welfare Fund Statement of Operations to be accurate in all material respects with the exception of the expenditure for inmate exit medications. We also determined that the internal controls over the Inmate Welfare Fund were not in general compliance. These items are discussed in the Findings & Recommendations section of this report.

Finding & Recommendation

We found internal control weaknesses regarding the review, approval, and payment processes for the inmate exit medications and student vocational skills training, the two largest categories of expenditures in the IWF. Reviews to ensure invoices were approved, accurate and that items were received were not consistently performed. Due to the uncertainty regarding the accuracy of the invoices and the receipt of goods we were unable to determine if the expenditure line item for exit medications in the Statement of Operations is accurate. Management of trust funds requires the implementation of and adherence to adequate internal controls, such as proper authorization and review of expenditures, to ensure funds are safeguarded and expenditures are for authorized purposes.

Inmate Exit Medications

The San Luis Obispo County Sheriff's department provides limited doses of prescription exit medications to inmates upon their release. The medication is appropriately paid for through the Inmate Welfare Fund. The cost of medications increased 103% from \$22,671 in fiscal year 2009-2010 to \$44,583 in 2010-2011. Staff was unable to provide a supported explanation for the increase in costs. Of the 13 invoices sampled 77% or 10 invoices did not have appropriate program staff review and authorization. We also discovered one instance where the IWF was mistakenly billed \$933 for a prescription for a former inmate, and the mistake had not been corrected by the time of our audit.

Student Vocational Skills Training

The San Luis Obispo County Sheriff's department provides inmates with Student Vocational Skills Training options appropriately funded through the Inmate Trust Fund. Training classes are provided by Cuesta College. The invoices for Student Vocational Skills Training did not agree to the time cards submitted by Cuesta staff. Of the 13 invoices sampled 69% or 9 invoices did not have appropriate program staff review and authorization.

Recommendation

Management and staff at the Sheriff's Office must make the following improvements to the internal controls over the Inmate Welfare Fund:

- Ensure expenditure increases over the prior year at the account and/or vendor level are understood and adequately explained.
- Ensure invoices are reviewed for accuracy, including receipt of items, and approved by those with authority prior to payment.
- Ensure invoices are authorized for payment by individuals with adequate knowledge of the products and services requested and the appropriate funding source.

Follow-Up Results

Sheriff-Coroner staff have established a process to ensure expenditure increases over the prior year are reviewed, understood and adequately explained. Additionally, staff have established procedures to ensure invoices are reviewed for accuracy and approved by those in authority prior to payment, and are authorized for payment by individuals with adequate knowledge of the products and services requested and the appropriate funding source.

We would like to thank the Sheriff-Coroner's Office management and staff for their cooperation during our review.