

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

(1) DEPARTMENT Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 5/19/2015	(3) CONTACT/PHONE Kerry Bailey 788-2979	
(4) SUBJECT Submittal of a Sheriff-Coroner's Office Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit conducted on February 9, 2015. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached San Luis Obispo County Sheriff-Coroner's Office Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit Report which contains three suggested improvements.			
(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"/> 4/5 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: <u>5-7-2013</u>	
(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 - Treasurer - Tax Collector

DATE: 5/19/2015

SUBJECT: Submittal of a Sheriff-Coroner's Office Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit conducted on February 9, 2015 (All Districts).

## **RECOMMENDATION**

It is recommended that the Board receive, review, and file the attached San Luis Obispo County Sheriff-Coroner's Office Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit Report which contains three suggested improvements.

## **DISCUSSION**

The Inmate Cash Deposit Trust Fund is managed by the Sheriff-Coroner's Office and represents cash held on behalf of inmates while they are incarcerated at the San Luis Obispo County Jail. Once deposited, inmates can use the funds to purchase commissary items, post bail, and to pay court ordered fines and fees.

The Inmate Welfare Trust Fund is authorized by California Penal Code 4025 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.

The objectives of the audit were:

- 1) To determine if the Sheriff-Coroner's Office had accountability for the funds' cash, if deposits were timely and intact, if the office was in compliance with the Auditor-Controller's Cash Handling Policy; and if internal controls were adequate.
- 2) 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.

Cash funds and cash receipts on hand were \$10.20 out of balance at the time of our count. Internal controls over the Inmate Cash and Welfare funds were generally adequate, and applicable policies, procedures, and codes were generally being followed. However, we found internal control weaknesses regarding the timeliness of bank reconciliations and cash handler acknowledgement of the County Cash Handling Policy. The IWF Statement of Operations was accurate in all material respects.

Our suggested improvements are documented in the attached report to the Sheriff-Coroner along with the office's corrective actions.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

Sheriff-Coroner

## **FINANCIAL CONSIDERATIONS**

As of April 21, 2015, the Inmate Cash Deposit Trust fund had a cash balance of \$31,267 and the Inmate Welfare Trust Fund had a cash balance of \$316,752.

## **RESULTS**

Compliance reviews of the Inmate Cash Deposit and Inmate Welfare Trust Funds are one of the tools used to monitor oversight of fiduciary funds. Monitoring activities help maintain reporting accountability and fiduciary responsibility and contribute to the County's vision of a well governed community.

## **ATTACHMENTS**

1. Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX  
COLLECTOR • PUBLIC ADMINISTRATOR

## **Inmate Cash Deposit and Inmate Welfare Funds Compliance Audit**

**April 2015**

**JAMES P. ERB, CPA  
Auditor-Controller  
Treasurer-Tax Collector-Public Administrator**



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX  
COLLECTOR • PUBLIC ADMINISTRATOR

TO: IAN PARKINSON, SHERIFF-CORONER

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: APRIL 21, 2015

SUBJECT: INMATE CASH DEPOSIT AND INMATE WELFARE FUNDS COMPLIANCE AUDIT

Our office recently conducted an audit of the Inmate Cash Deposit and Inmate Welfare Trust Funds for the fiscal year ended June 30, 2014. Our audit resulted in three suggested improvements.

## Purpose

The purpose of our audit was to determine the accuracy and accountability of the funds' cash, the accuracy of the Inmate Welfare Fund Statement of Operations for FY 2013-14, whether internal controls over the funds were adequate; and compliance with applicable policies, procedures, and codes.

## Scope

The scope of our audit included cash and receipts on hand on February 9, 2015; FY 2013-14 activity in the Inmate Cash Deposit and Inmate Welfare Trust Funds and the FY 2013-14 Inmate Welfare Fund Statement of Operations.

## Methodology

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The International Standards for the Professional Practice of Internal Auditing require the internal audit activity to be independent and internal auditors be objective in performing their work. The Standards also require internal auditors to perform their engagements with proficiency and due professional care; the internal audit function be subject to a program of quality assurance; and the results of engagements be communicated.

Our audit included tracing various components of the Inmate Welfare Fund Statement of Operations to supporting transactions in SAP; physically counting all cash on hand for February 9, 2015; evaluating internal controls; and testing samples of deposits transfers, and payments in both funds. We also tested inmate receipts, expenditures, and commissary purchases in the Inmate Cash Fund. Our evaluation of internal controls was limited to inquiries of departmental staff and direct observations.

## Results

Cash funds and cash receipts on hand were not in balance at the time of our count. The Inmate Cash Deposit change fund was \$10.20 less than the recorded revenue. The Suggested Improvements section below contains details of this exception.

The Inmate Welfare Fund Statement of Operations was accurate in all material respects. Internal controls over the Inmate Cash and Welfare funds were generally adequate, and applicable policies, procedures, and codes were generally being followed

During fieldwork we identified some areas where improvements could be made, and we immediately provided the Sheriff's staff with suggestions for making these improvements. Suggestions for improvement are for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the department is able to correct at the time of the audit. Unlike formal audit findings, written departmental responses are not required for these issues. Our suggestions are detailed in the Suggested Improvements section below:

### Suggested Improvements

#### 1. Change Fund Shortage

The Inmate Change Fund cash on hand at the time of our count was \$10.20 less than the recorded revenue. Additionally, the Excel sheet used by the correctional technicians to aid in balancing their shift's drawer was \$7.79 less than the recorded revenue. While custodians were following the County's Cash Handling Policy's requirement to reconcile cash on hand to the base amount at shift changes, staff members had not researched the cause of the shortage. When shortages are not followed-up, the risk of error and the opportunity for theft significantly increases. Subsequent to fieldwork our office received a Request for Relief of Liability which will clear the variances.

#### 2. Bank Reconciliation

The Sheriff-Coroner's Office bank reconciliation for December was not provided in a timely manner to the Auditor-Controller's Office. The County's Cash Handling Policy requires departments to furnish a copy of their bank statements, a reconciliation, and the reconciliation review form to the Auditor-Controller by the 25th of the following month; however, staff had fallen behind in the reconciliations. Timely bank reconciliations reduce the risk of misappropriation and material misstatement of accounting records. Subsequent to fieldwork the December bank reconciliation was submitted to the Auditor-Controller's Office.

#### 3. Staff Certification of Cash Handling Policy

Not all cash handlers had certified in writing they have read the County Auditor-Controller's Cash Handling Policy. The policy is required reading for all staff who handle cash; however new staff members were unaware written acknowledgement was required. Written acknowledgement by County employees stating they have read the policy helps ensure

consistent Countywide procedures for cash handling. Subsequent to the end of fieldwork, we received verification that all employees with cash handling responsibilities had certified they have read the policy.

We appreciate the courteous attitude of your staff and the high level of cooperation we received during the course of our audit.