

COUNTY OF MONTEREY
AUDITOR-CONTROLLER DEPARTMENT
INTERNAL AUDIT DIVISION
SHERIFF-CORONER
INMATE WELFARE FUND AUDIT



County of Monterey
Michael J. Miller – Auditor-Controller

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Introduction

During the exit meeting of the inmate welfare fund procurement audit, the Sheriff-Coroner requested the Internal Audit Division of the Auditor-Controller's Office to perform an audit of the Inmate Welfare Fund with regards to compliance with Penal Code 4025.

Executive Summary

Objective:

The audit objective was to determine whether revenues and expenditures were in compliance with Penal Code 4025; whether all revenues and expenditure transactions were accurately reported in the inmate welfare fund's annual reports presented to the Board of Supervisors; and to determine compliance with County and/or internal department policies.

Scope:

Revenue and expenditure reports for fiscal years 2010-2014 and July 1, 2014 through December 31, 2014 were obtained from the County's financial system. Transactions were allocated to categories listed on the annual reports to compare to reports provided to the Board of Supervisors. Audit sampling software identified 189 revenue transactions and 232 expenditure transactions for review. The transactions were reviewed for compliance with the code, the County's Cash Handling Policy, and compliance with internal departmental processes.

Conclusion:

The revenue transactions sampled in the Inmate Welfare Fund comply with Penal Code 4025. Deposits for the Inmate Welfare Fund are picked up by Loomis on Monday, Wednesday, and Friday, usually before 1pm. Utilization of this procedure prevents compliance with Section IV.B.1. of the County's Cash Handling Policy which requires collections averaging \$300 or more per day should be deposited daily, no later than the next business day. Of the 189 transactions tested, 39% were deposited within the guidelines of the policy. 61% of the transactions were either deposited into the Treasury after 4 or more days (20%) or the money receiving date was undeterminable (41%); therefore we were unable to determine if those transactions adhered to the cash handling policy. Cash receipts should be deposited as required by the policy.

The expenditure transactions sampled comply with Penal Code 4025. Eight (8) transactions had another unit written on the invoices but were coded to the Inmate Program unit. Three transactions were miscoded to the Inmate Program unit; these expenditures were for the Work Alternative Program per handwritten notes on the invoices. Expenditures must be coded to their proper unit.

The Sheriff's internal payment process requires invoices to be reviewed and approved by the appropriate division/unit commander; once approved the invoices are then processed by accounts payables staff. Only 69% of the transactions sampled received approval from the division/unit commander and/or chief deputy. The largest expenditure listed on the annual report is the employee costs line item. This cost consists predominantly of the salary and benefits of inmate service specialists, senior inmate service specialists, a sergeant, and an office assistant.

Background:

Per Penal Code 4025, "each county sheriff may establish, maintain, and operate a store in connection with the county jail facility". Revenue received from the store and telephone commission from payphones used by inmates is required to be placed in a fund held in the county treasury. These funds are to be used to provide programs and education to benefit the inmates. The funds can further be used for maintenance of the facility. The Sheriff has the responsibility ensure that the money is spent to benefit the inmates.

Proceeds received are placed in a departmental trust fund under the Sheriff Inmate Welfare balance sheet account. Expenditures are recorded in the general fund under the Inmate Program unit. Revenue is transferred from the departmental trust fund to the general fund as a reimbursement to the fund at fiscal year end.

Under past administrations, the Sheriff Department had an Inmate Welfare Fund Committee that met quarterly to discuss new and old programs, items needed for inmates, and give recommendations on how to spend the funds. Once the current administration discovered that vendors were members of this committee, it was disbanded. The Sheriff is in the process of establishing a citizens and employees advisory committee.

Observations

Observation One: Fiscal Year 2010-2011 Expenditures

Condition:

Ten expense categories on the annual report were higher compared to the year-to-date expenditure report pulled from the financial system. Encumbrances were erroneously included as part of the expense amount for the categories.

Criteria:

Encumbrances are a budgetary tool, only accrued and actual expenditures are the true expenses.

Cause:

The year-to-date expenditure report pulled by the department did not include accounting period 14 where entries to eliminate encumbrances were made in the financial system.

Effect:

Actual expenses for the fiscal year were misrepresented to the Board of Supervisors.

Recommendation:

The year-to-date expenditure report used for preparing the annual report to the Board of Supervisors should include all the accounting periods in order to properly report expenses. The report should not be pulled until all accounting periods have been closed.

Management's Response & Action Plan:

In FY 2010-11 the Sheriff's Office included encumbrances. It was a one-time error. The reports prior to and after FY 2010-11 did not include encumbrances.

Observation Two: Expenditure Unit Coding

Condition:

Eight transactions had another unit written on the invoice, but were coded to the Inmate Program unit. However, the expenses would comply with the code as long as the Sheriff determines them to be in the best interest of the inmates. Three transactions were coded to unit 8239, Inmate Program; however, the invoices stated the items were for the Work Alternative Program (WAP) which is a separate unit.

Criteria:

Per Penal Code, the inmate welfare fund is only to be expended for inmates confined within the jail. WAP is a program for those serving a sentence of 40 day or less and is an alternative to incarceration.

Cause:

Either an incorrect unit number was written on the invoice, or the person entering the transaction into Advantage entered an incorrect unit. Subsequently the department approval level did not catch the error.

Effect:

Payments coded incorrectly to the Inmate Welfare Fund overstate expenses creating misleading annual reports.

Recommendation:

Payments should be coded to their correct units and during the payment process workflow department approval step; the recipient should make sure the expenses are coded correctly. Also, division/unit commanders, etc should be made aware of any corrections made to the accounting for similar expenditures in the future.

Management's Response & Action Plan:

The Sheriff's Office will provide an explanation for all code changes. Where possible, the Sheriff's Office will include how the expenditure benefits the inmates. The Sheriff's Office does have commanders sign off on expenses and will continue to do so. The Sheriff's Office agrees with this recommendation.

Additional Observations:

The following are additional observations:

- 1.) 31% of sampled invoices did not receive approval prior to payment processing. Internal policies should be followed requiring approval prior to payment processing.
- 2.) Income received per code must be deposited per the requirements of the County Cash Handling Policy.

Management's Response & Action Plan:

The Sheriff's Office has, and will continue to have, a commander review and sign off on all invoices. The Sheriff's Office utilizes Loomis armored guard service to pick up its deposits three days a week and will follow the County Cash Handling Policy.

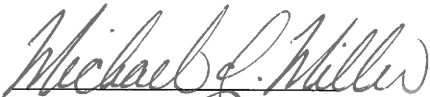
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Issued this 22 day of Feb., 2016,



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