Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

# Internal Audit:
# Sonoma County Sheriff's Office
# Inmate Welfare and Jail Store Trust Funds

For the Period: July 1, 2017 - June 30, 2019

Engagement No: 3485
Report Date: October 30, 2020

**Erick Roeser**
Auditor-Controller-Treasurer-Tax Collector

**ERICK ROESER**
AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

585 FISCAL DRIVE, SUITE 100
SANTA ROSA, CA 95403
PHONE (707) 565-2631
FAX (707) 565-3489

**JONATHAN KADLEC**
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

**AMANDA RUCH, CPA**
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

**BROOKE KOOP, CPA**
ASSISTANT AUDITOR-CONTROLLER
TREASURER-TAX COLLECTOR

| | |
|---|---|
| Kanchan K. Charan | Audit Manager |
| Damian Gonshorowski, CPA | Audit Supervisor |
| Melissa Osso, CIA | Auditor-In-Charge |

Auditor-Controller-Treasurer-Tax Collector Web Site
http://sonomacounty.ca.gov/Auditor-Controller-Treasurer-Tax-Collector/

## Table of Contents

**Internal Audit:**
**Sonoma County Sheriff's Office**
**Inmate Welfare and Jail Store Trust Funds**
**Engagement No. 3485**
**For the Period July 1, 2017 to June 30, 2019**


Page

Executive Summary ..... 1

Introduction and Background ..... 2

Objectives and Scope ..... 4

Procedures ..... 5

Results and Other Matters ..... 6

Prior Year Observations and Recommendations ..... 8

Staff Acknowledgement ..... 10

Inmate Welfare Trust Fund Report for the fiscal year ended June 30, 2018 ..... 11

Inmate Welfare Trust Fund Report for the fiscal year ended June 30, 2019 ..... 13

Jail Store Trust Fund Report for the fiscal year ended June 30, 2018 ..... 15

Jail Store Trust Fund Report for the fiscal year ended June 30, 2019 ..... 17

Note 1: Inmate Welfare Trust and Jail Store Trust Fund Reports Presentation ..... 19

Note 2: Jail Store Trust Fund Reports Presentation-Sales Tax ..... 19

Note 3: Jail Store Trust Fund Reports Presentation-Vending Revenue ..... 19

Note 4: Inmate Welfare Trust and Jail Store Trust Fund-Inmate Incentives and Food Expenditures ..... 19

Note 5: Inmate Welfare Trust and Jail Store Trust Fund -Direct TV and Jail Stores Salaries and Benefits ..... 19

Appendix A-Report Item Risk Classification ..... 20

Appendix B-Management Response ..... 21

## Executive Summary

As a part of the 2019-2020 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (ACTTC) performed an audit of the Inmate Welfare (IWTF) and Jail Store (JSTF) trust funds for the period July 1, 2017 to June 30, 2019, and determined that:

- Both funds were managed in accordance with the Trust Funds' Policies and Procedures Manual (Manual), developed by the Sonoma County Sheriff's Office, and relevant laws.

- Profit from the Commissary operations was transferred to the IWTF as required by the Manual and Penal Code Section 4025.

- There was one current year observation and recommendation discussed on page 7. The prior year observations, recommendations on improving internal control procedures, and the implementation status of those recommendations are discussed starting on page 8.

- The revenues and expenditures in the Annual IWTF and JSTF Reports (pages 11 - 18) represent transactions executed in compliance with the Manual and the law.

# Introduction and Background

## Introduction

The ACTTC has completed an audit of the Sonoma County Sheriff's Office (Office) Inmate Welfare and Jail Store Trust Funds for the period July 1, 2017 to June 30, 2019. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, observations, and recommendations contained in our report.

The primary purpose of our engagement is to furnish management independent and objective analyses, recommendations, and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

## Background

As authorized under California Penal Code Section 4025, the Office established a County Jail Commissary (Commissary) to purchase and sell goods and supplies to inmates. The Office manages the IWTF and the Commissary. Profits from the Commissary operations, in addition to commissions earned from inmate phone card sales and interest earned by IWTF, are to be used by the Office primarily for the benefit, education, and welfare of the inmates per the Code Section.

The Commissary is located in the Main Adult Detention Facility (MADF) and is designed to serve inmates at the MADF as well as the North County Detention Facility (NCDF). The prices for Commissary items are intended to be comparable to convenience store prices. For the period covered by our audit, $1.3 million in profits were transferred to IWTF. At the end of the fiscal years 2018 and 2019, $85,679 and $60,937 was retained as working capital in JSTF.

During our audit period, the Office managed approximately $4.1 million of inmate funds for the following three interrelated areas:

- **Inmate Trust Accounts -** The Office maintains a trust account for each inmate to account for the monies he/she arrived with and subsequent receipts and disbursements as authorized by the inmate. The balance is returned to the inmate upon release.

- **The Inmate Welfare Fund -** This fund is maintained to account for the receipt and use of all funds covered by Penal Code Section 4025.

- **The Jail Commissary -** The Commissary is operated by the Office for the benefit of the inmates. A variety of products are sold to inmates at competitive prices. All profits are transferred to the IWTF in accordance with Penal Code Section 4025. The activities of the Commissary are accounted for in the JSTF.

## Background

When an inmate is booked into custody, an account is set up in the Justice System (formerly referred to as UNIX) to account for the money in the inmate's possession. Additional money may be deposited in their accounts via the jail lobby kiosks, telephone or the internet. Inmates may spend the money in their accounts for Commissary items, phone cards, or other purposes.

IWTF is set up as a fund in the County's financial accounting system. For the fiscal years ended June 30, 2018, and June 30, 2019, this fund had $1,126,271 & $1,074,258 in revenues (including transfers from JSTF) and $1,005,096 & $921,396 in expenditures, respectively.

The IWTF's primary source of revenue is profits from the operation of the Commissary, which are transferred annually from the JSTF. The IWTF's other significant revenue source is the commissions earned from the telephone vendor on the sale of phone cards in the jail facilities. IWTF purchases phone cards from Legacy Inmate Communications for a unit price of $6 and sells them to inmates for $20, a markup of 233%.

Notable IWTF expenditures during the audit period included:

- $381,191 for inmate drug and alcohol abuse counseling services (Starting Point), paid to the Sonoma County Department of Health Services;
- $566,171 in salary reimbursement costs for Program Officers, an Administrative Aide, and Detention Assistants;
- $169,656 for inmate general educational programs, performed by the Sonoma County Office of Education and contractor Carrie Balitbit (General Education); and
- $192,628 for Edovo, a tablet-based education platform for inmates, also listed as Jail Education Solutions.

## Objectives and Scope

### Objectives

The objectives of this audit were to determine whether:

1. Inmate accounts were maintained in compliance with the Manual and relevant laws, including Government Code Sections 26640 and 26641.
2. The money deposited in the IWTF was expended in accordance with the Manual and relevant laws, including Penal Code Section 4025.
3. Profits from the operations of the Commissary were transferred to the IWTF in accordance with the Manual and Penal Code Section 4025.
4. Revenues and expenditures in the annual financial reports filed with the County Board of Supervisors represent transactions executed in accordance with the Manual and the law.

### Scope

The audit covered the period July 1, 2017, through June 30, 2019. The scope of our work included but was not limited to the following:

- A preliminary survey to update our knowledge of the operating environment and identify changes in laws and regulations, systems, personnel, and organization structure.
- A risk analysis to identify significant risks of non-compliance with policies, procedures, or laws; loss or misuse of assets; and inefficiencies in processes.
- A review and evaluation of internal controls designed to ensure compliance with the above requirements and to adequately reduce the risks identified.
- A test of transactions and supporting documentation on a sample basis to assist with the review and evaluation of internal controls.

Our audit included inquiry, observation, and tests to assess the adequacy of documentation supporting compliance with relevant Penal Code and California Government Code Sections and the Manual.

## Procedures

We performed the procedures outlined below to achieve our audit objectives:

1. Examined a sample of monthly bank reconciliations.
2. Examined documentation and procedures relating to cash counts and reconciliations to department records.
3. Examined support for management and IWTF Committee approvals of trust fund expenditures.
4. Selected a sample of IWTF and JSTF expenditures and examined supporting documents (purchase order, vendor's invoice, and the County Enterprise Financial System (EFS)).
5. Gained an understanding of the Office's cost allocation process relevant to the audit.
6. Performed revenue analysis for IWTF and JSTF based on prior year actuals and sale and stock reports.
7. Performed expenditure analysis for IWTF and JSTFs based on prior year actuals.
8. Reviewed internal controls over inventory and commissary purchasing.
9. Reviewed Inmate Welfare Trust Committee minutes.
10. Evaluated selected aspects of Commissary operations, including profit transfers.

## Results and Other Matters

Objective #1: **Inmate accounts were maintained in compliance with the Manual and relevant laws, including Government Code Sections 26640, 26641 and 26642.**

We determined that inmate accounts were maintained in compliance with the Manual and relevant laws.

The Office's key controls over inmate accounts consist of 1) issuance of system generated receipts to respective inmates supporting the account balance, disbursements, and deposits and 2) monthly reconciliation of the total inmate funds per the Justice System and the TouchPay system to the total of cash on hand and bank deposits. We performed a walkthrough of these processes and conducted tests to gain assurance that required procedures were followed consistently. We noted no exceptions.

Objective #2: **The money deposited in the IWTF was expended in accordance with the Manual and relevant laws, including Penal Code Section 4025.**

We determined that the money deposited in the IWTF during our audit period was expended in accordance with the Manual and relevant laws.

We tested a sample of disbursement transactions for authorization, accuracy, support, compliance with applicable laws and regulations and proper recording in the general ledger. We noted no exceptions.

Objective #3: **Profits from the operations of the jail commissary were transferred to the IWTF in accordance with the Manual and Penal Code Section 4025.**

We determined that the profits from the operations of the Commissary for the fiscal years ended June 30, 2018, and June 30, 2019, were transferred to the IWTF as required by the Manual and Penal Code Section 4025.

Objective #4: **Revenues and expenditures in the annual reports, filed with the County Board of Supervisors, represent transactions executed in accordance with the Manual and the law.**

We determined that the revenues and expenditures in the annual IWTF and JSTF Reports (pages 11-18) represent transactions executed in compliance with the Manual and the law.

Our procedures in this area included:

1) Identification and follow up of material variances between the current and prior year account balances.

2) Review of IWTF Committee minutes for proper approval of expenditures.

3) Review of policies and procedures over the operations of the Commissary.

4) Test of a sample of Commissary transactions.

5) Evaluation of reasonableness of Commissary profits based on sale and stock reports.

We noted the following exceptions; for further details see Fund Report notes on page 19.

- In fiscal year 2019, revenues from vending machine cards was understated by $6,226. A prior year adjustment was made in fiscal year 2020 to correct the understatement (page 17).
- In fiscal year 2019, $1,163 in expenditures for IWTF Direct TV services were incorrectly booked to the JSTF in Salaries and Benefits.
- In fiscal year 2018, $4,132 in expenditures for food were incorrectly booked to the IWTF under Inmate Incentives.

We consider these exceptions isolated incidents and have adjusted the Fund Reports presented to correct the $6,226 revenue understatement.

**Other Matters:** During the course of the audit other matters came to our attention which deserve your attention.

**Observation #1: Governance (Risk Classification C)**

The IWTF committee does not meet regularly to approve the annual budget, the fund reports, and the quarterly revenue and expenditures as required by the law and the Manual. The active participation of the committee is necessary to demonstrate that the office is properly discharging its fiduciary responsibility toward the prisoners.

**Recommendation #1:**

The IWTF committee should meet and perform its duties as required by the manual.

## Prior Year Observations and Recommendations

**Observation #1: Unreconciled Commissary Revenue (Risk Classification B)**

Cash from Commissary operations deposited and recorded in EFS does not reconcile to Commissary revenue recorded in the Justice System. More cash was deposited in EFS than reported as sales in the Justice System. From fiscal year 2009 through fiscal year 2019, total unreconciled differences in Commissary revenue totaled approximately $89,511. This reconciliation is necessary for the Office to support that amounts transferred to IWTF represent authorized charges to the inmate accounts. Over the years the Office has worked diligently to reconcile items, although there continues to be an unreconciled difference that varies from year to year. Without appropriate actions, the unreconciled difference will continue to grow and the risk of errors or misappropriation going undetected will remain.

In a normal cash collection environment, cash collected and deposited should be reconciled to the record of sales (e.g. cash register total) for the period. The reconciliation activities provide assurance that all cash collected has been properly accounted. As part of performing services, management should provide for appropriate mechanisms, automated or manual, to collect all funds for items sold and ensure that proper controls exist over sales and receipts.

**Recommendation #1:**

Reconciliation of EFS cash deposits to revenue recorded in the Justice System should be performed on a monthly basis by individuals who are not involved in Commissary operations. All significant differences should be investigated and explained with detailed documentation.

**Status: Partially Implemented**

While detailed reconciliations are being performed, they are not being performed on a monthly basis. Unreconciled differences are not resolved in a timely manner.

**Observation #2: Policy for Commissary Profit Transfer (Risk Classification C)**

The Office does not have written policies addressing the timing of the calculation or transfer of the Commissary profits from the JSTF to the IWTF.

**Recommendation #2:**

Written policies and procedures should be established that clearly describe the Commissary profit transfer process and use of Commissary operating reserves. The policy should establish the reserve balance and prescribe procedures for its monitoring, use, and replenishment. The timing of the calculation and transfer of the profits should also be covered in the policy.

## Prior Year Observations and Recommendations

**Status: Implemented**

The Office established policies and procedures which include the amount of profit to be retained as working capital and the timing of the calculation for the transfer of commissary profits.

**Observation #3: Internal Controls over Inventory (Risk Classification B)**

We noted the following key weaknesses in internal controls over inventory:

1) Physical inventory counts are performed by employees who also stock and sell inventory items.
2) When processing payments, the accounts payable clerk does not verify that the items purchased have been added to the perpetual inventory system.

**Recommendation #3:**

Physical inventory counts should be performed on at least a bi-annual basis by individuals who are not involved in the processing and recording of inventory transactions. All material adjustments should be investigated and explained with detailed documentation on the adjustment sheet. The IWTF Committee should review annual inventory counts in accordance with the Manual. Prior to processing a payment, the Office's Accounts Payable Section or a Supervising Detention Assistant should match inventory items entered into the perpetual system per system generated reports to those listed on invoices.

**Status: Partially implemented**

No physical inventory count (normally performed by the Inmate Programs Analyst or designee) was performed in fiscal year 2018. Weekly inventory counts were performed by the Detention Assistants, however these counts are performed by staff who are also involved in the processing and recording of inventory transactions. Inventory counts were performed by the Inmate Programs Analyst or designee in fiscal year 2019, although discrepancies between the physical count and the perpetual system were not investigated, accounted for, and reported to the Committee as required by the Manual.

## Staff Acknowledgement

We would like to thank the management and staff of the Sheriff's Office for their time, information, and cooperation throughout the audit.

**Sonoma County Sheriff's Office**
**Inmate Welfare Trust Fund Report**
**For the Fiscal Year Ended June 30, 2018**

| | | |
|---|---|---|
| **Beginning Fund Balance** | $ | 1,213,627 |
| **Revenues** | | |
| Interest on Pooled Cash | | 23,018 |
| Unrealized Gains & Losses | | (1,565) |
| Intake Bag Reimbursement | | 17,806 |
| Phone Revenues | | 373,577 |
| Misc Revenue | | 50,671 |
| Transfer from Jail Stores Trust | | 662,764 |
| **Total Revenues** | | 1,126,271 |

**(Continued)**
See Note 1 on page 19

**Sonoma County Sheriff's Office**
**Inmate Welfare Trust Fund Report**
**For the Fiscal Year Ended June 30, 2018**
**(Continued)**

| | |
|---|---|
| **Expenditures** | |
| Salary Reimbursement Costs | |
| Program Officers | 176,772 |
| Admin Aide | 93,542 |
| Detention Assistant | 9,282 |
| **Total Salary Reimbursement Costs** | 279,596 |
| Inmate Education Programs | |
| Friend Outside Services | 39,000 |
| Starting Point | 224,882 |
| Legal Research Associates (LRA) | 25,422 |
| Sonoma County Office of Education (SCOE) | 95,498 |
| Edovo | 114,876 |
| California Parenting Program | 61,108 |
| Literacy Program | 9,085 |
| Goodwill Job Training Program | 18,960 |
| Supplies | 1,146 |
| **Total Inmate Education Programs** | 589,977 |
| Services and Supplies | |
| Enrollment Counselor | |
| Maintenance-Bldg, Improvement & Equipment | 15,384 |
| Audit Services | 14,500 |
| Phone Audit Fees | 6,161 |
| Program Training | 2,417 |
| Direct TV | 15,807 |
| Inmate Incentives | 29,407 |
| Mail Services, Office Supplies, Printing | 2,625 |
| Books, Media, Newspaper Subscriptions | 11,666 |
| Small Tools | 8,058 |
| Welfare Bags | 29,497 |
| **Total Services and Supplies** | 135,522 |
| **Total operating expenditures** | 1,005,096 |
| **Total operating income/loss** | 121,175 |
| **Change in fund balance** | 121,175 |
| **Beginning fund balance** | 1,213,627 |
| **Ending Fund Balance** | 1,334,802 |

See Note 1 on page 19

**Sonoma County Sheriff's Office**
**Inmate Welfare Trust Fund Report**
**For the Fiscal Year Ended June 30, 2019**

| | | |
|---|---|---|
| **Beginning Fund Balance** | $ | 1,334,802 |
| **Revenues** | | |
| Interest on Pooled Cash | | 34,999 |
| Unrealized Gains & Losses | | 17,278 |
| Phone Revenues | | 316,845 |
| Bail Bond Advertising | | 43,575 |
| Kiosk Commission | | 4,179 |
| Lobby Locker Revenue | | 758 |
| Prior Year | | 23,624 |
| Transfer from Jail Stores Trust | | 633,000 |
| **Total Revenues** | | 1,074,258 |

**(Continued)**

See Note 1 on page 19

**Sonoma County Sheriff's Office**
**Inmate Welfare Trust Fund Report**
**For the Fiscal Year Ended June 30, 2019**
**(Continued)**

| | |
|---|---|
| **Expenditures** | |
| Salary Reimbursement Costs | |
| Program Officers | 162,239 |
| Admin Aide | 115,963 |
| Detention Assistant | 8,373 |
| **Total Salary Reimbursement Costs** | 286,575 |
| Inmate Education Programs | |
| Friend Outside Services | 37,375 |
| Starting Point | 156,309 |
| Books, Media, Newspaper Subscriptions | 11,557 |
| Legal Research Associates (LRA) | 40,873 |
| General Education | 74,158 |
| Jail Education Solutions | 77,752 |
| California Parenting Program | 69,989 |
| Sonoma County Library | 13,451 |
| Goodwill Job Training Program | 21,399 |
| Supplies | 5,637 |
| **Total Inmate Education Programs** | 508,500 |
| Services and Supplies | |
| Enrollment Counselor | 38,984 |
| Maintenance-Bldg, Improvement & Equipment | 986 |
| Client Accounting Services | 3,405 |
| Program Training | 2,258 |
| Direct TV | 9,353 |
| Inmate Incentives | 25,728 |
| Office Supplies | 1,485 |
| Minor Equipment /Small Tools | 21,505 |
| Welfare Bags | 20,117 |
| Movies and Games | 2,497 |
| **Total Services and Supplies** | 126,318 |
| **Total operating expenditures** | 921,396 |
| **Total operating income/loss** | 152,862 |
| **Change in fund balance** | 152,862 |
| **Beginning fund balance** | 1,334,802 |
| **Ending Fund Balance** | 1,487,664 |

See Note 1 on page 19

**Sonoma County Sheriff's Office**
**Jail Store Trust Fund Report**
**For the Fiscal Year Ended June 30, 2018**

| | | |
|---|---|---|
| **Beginning Fund Balance** | $ | 148,008 |
| **Revenues** | | |
| Commissary Sales & Phone Cards | | 1,523,013 |
| Vending | | 93,889 |
| Recycling | | 1,092 |
| Unrealized Gains & Losses | | (1,807) |
| Other Interest | | 3 |
| PY Revenue | | (15) |
| **Total revenues** | | 1,616,175 |

**(Continued)**

See Note 1 & 2 on page 19

**Sonoma County Sheriff's Office**
**Jail Store Trust Fund Report**
**For the Fiscal Year Ended June 30, 2018**
**(Continued)**

| | |
|---|---|
| **Expenditures** | |
| **Merchandise Expenditures** | |
| Phone Cards | 80,000 |
| Personal Care & Uniforms | 62,109 |
| Food | 447,195 |
| Vending | 69,770 |
| Other Supplies | 1,351 |
| Office Supplies | 4,927 |
| Mail and Postage Supplies | 26,287 |
| **Total merchandise expenditures** | 691,639 |
| **Operating Expenditures** | |
| Staff Payroll | 246,599 |
| Maintenance Equipment | 4,657 |
| Overhead | 31,327 |
| Audit Services | 14,500 |
| Data Processing | 5,328 |
| Printing | 9,776 |
| **Total operating expenditures** | 312,187 |
| **Operational Transfers** | |
| Transfer to IWT | 549,999 |
| Phone Card Revenue to IWT | 112,764 |
| **Total operational transfers** | 662,764 |
| **Taxes** | |
| Sales Tax | 11,914 |
| **Total sales tax** | 11,914 |
| **Total expenditures and operating transfers** | 1,678,504 |
| **Change in fund balance** | (62,329) |
| **Beginning fund balance** | 148,008 |
| **Ending fund balance** | $ 85,679 |

See Note 1 & 2 on page 19

# Jail Store Trust Fund Report

**Sonoma County Sheriff's Office**
**Jail Store Trust Fund Report**
**For the Fiscal Year Ended June 30, 2019**

| | | |
|---|---|---|
| **Beginning Fund Balance** | $ | 85,679 |
| **Revenues** | | |
| Commissary Sales & Phone Cards | | 1,497,658 |
| Vending | | 81,646 |
| Recycling | | 486 |
| Unrealized Gains & Losses | | 10,300 |
| PY Revenue | | 83 |
| **Total revenues** | | 1,590,173 |

**(Continued)**

See Note 1, 2 & 3 on page 19

**Sonoma County Sheriff's Office**
**Jail Store Trust Fund Report**
**For the Fiscal Year Ended June 30, 2019**
**(Continued)**

| | |
|---|---|
| **Expenditures** | |
| **Merchandise Expenditures** | |
| Phone Cards | 60,000 |
| Food | 480,896 |
| Vending | 55,370 |
| Mail and Postage Supplies | 15,753 |
| Books Media Supplies | 797 |
| Toiletries | 4,359 |
| Other Supplies | 3,807 |
| **Total merchandise expenditures** | 620,982 |
| **Operating Expenditures** | |
| Printing & Binding | 7,341 |
| Personal Care & Uniforms | 41,479 |
| Maintenance Equipment | 5,312 |
| Overhead | 32,453 |
| Jail Stores Salaries & Benefits | 259,708 |
| ISD Services | 5,409 |
| Reimbursement for Damaged Goods | (1,532) |
| **Total operating expenditures** | 350,170 |
| **Operational Transfers** | |
| Transfer to Inmate Welfare Trust | 633,000 |
| **Total operational transfers** | 633,000 |
| **Taxes** | |
| Sales Tax | 10,763 |
| **Total sales tax** | 10,763 |
| **Total expenditures and operating transfers** | 1,614,915 |
| **Change in fund balance** | (24,742) |
| **Beginning fund balance** | 85,679 |
| **Ending fund balance** | $ 60,937 |

See Note 1 & 2 on page 19

## Notes

**Note 1: Inmate Welfare Trust and Jail Store Trust Fund Reports Presentation**

These cash basis Trust reports were prepared for the purpose of presenting revenues and expenditures of the Inmate Welfare Trust and Jail Store Trust pursuant to Penal Code Section 4025 (e) and is not intended to be a presentation in conformity with generally accepted accounting principles. The revenue and expenditures are presented on a cash basis. Accordingly, note disclosures required by Governmental Accounting Standards are not presented, since such disclosures are not required by California Penal Code Section 4025.

**Note 2: Jail Store Trust Fund Report - Sales Tax Presentation**

In fiscal year 2018, sales tax collected totaling $11,914 was reported as Commissary revenue and the amount due to the State was reported as a separate expenditure line item on the JSTF Report (page 15 and 16).

In fiscal year 2019, sales tax collected totaling $10,763 was reported as Commissary revenue and the amount due to the State was reported as a separate expenditure line item on the JSTF Report (page 17 and 18).

**Note 3: Jail Store Trust Fund Report - Vending Revenue**

In fiscal year 2019, revenues from vending was understated by $6,226. This was due to a coding error that occurred in the deposit process. $6,226 of vending revenue was incorrectly deposited into the General Fund as medical co-pay funds. The JSTF Report for fiscal year 2019 was adjusted to reflect the correct vending revenue and a prior year adjustment was made in fiscal year 2020 to correct the understatement (page 17).

**Note 4: Inmate Welfare Trust and Jail Store Trust Fund Reports – Inmate Incentives - Food Expenditures**

In fiscal year 2018, expenditures for food were incorrectly booked to the IWTF under Inmate Incentives, understating JSTF expenditures and overstating IWTF expenditures by $4,132. The fund reports presented in this audit report do not include correcting entries.

**Note 5: Inmate Welfare Trust and Jail Store Trust Fund Reports – Direct TV-Jail Stores Salaries and Benefits**

In fiscal year 2019, expenditures for IWTF Direct TV services were incorrectly booked to the JSTF in Jail Stores Salaries and Benefits, overstating Jail Stores salaries and benefits and understating IWTF expenditures by $1,163. The fund reports presented in this audit report do not include correcting entries.

## Appendix A-Report Item Risk Classification

For purposes of reporting our audit findings and recommendations, we classify audit report items into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**
  Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

- **Risk Classification B: Significant Control Weakness:**
  Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

- **Risk Classification C: 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.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.

SONOMA COUNTY
SHERIFF'S OFFICE
MARK ESSICK
Sheriff-Coroner

*JAMES NAUGLE*
*Assistant Sheriff*
*Law Enforcement Division*

*EDDIE ENGRAM*
*Assistant Sheriff*
*Detention Division*

*HEIDI KEITH*
*Chief of Financial and*
*Administrative Services*

October 29, 2020

Kanchan Charan, Audit Manager
Sonoma County Auditor-Controller-Treasurer-Tax Collector
Internal Audit

RE: Inmate Welfare Trust and Jail Store Trust Fund Audit for the period of 7/1/2017 – 6/30/2019

Dear Mr. Charan,

We have received and reviewed your staff's draft audit report of the Inmate Welfare Trust (IWT) and Jail Stores Trust (JST) Funds for the period of July 1, 2017 through June 30, 2019. We appreciate ACTTC's work on this. Your draft report outlined a number of recommendations for the Sheriff's Office. Sheriff's staff have discussed these recommendations and provide the responses below, to address the issues raised for each of the recommendations. If there are any changes in the final report, we will submit a supplemental response.

**CURRENT YEAR RECOMMENDATIONS**

**Recommendation #1:**

The IWT committee should meet and perform its duties as required by the manual.

**Management Response to Recommendation #1:**

*Sheriff's Management agrees with this recommendation and acknowledges that three meetings were held in each of the audited fiscal years when there should have been four. One meeting was canceled during each of the fiscal years and they were not rescheduled. Since February 2019, meetings have been held on a regular quarterly basis, and members actively participate in the review and approval of the annual budget, fund reports, and quarterly reports.*

**PRIOR YEAR RECOMMENDATIONS**

**Prior Year Recommendation #1:**

Reconciliation of EFS cash deposits to revenue recorded in the Justice System should be performed on a monthly basis by individuals who are not involved in the Jail Commissary operations. All significant differences should be investigated and explained with detailed documentation.

*Administration*
*2796 Ventura Avenue*
*Santa Rosa, CA 95403*
*707.565.2781*

*Law Enforcement Division*
*2796 Ventura Avenue*
*Santa Rosa, CA 95403*
*707.565.2511*

*Detention Division*
*2777 Ventura Avenue*
*Santa Rosa, CA 95403*
*707.565.1422*

*Coroner*
*3336 Chanate Road*
*Santa Rosa, CA 95404*
*707.565.5070*

**Management Response to Recommendation #1:**

*Sheriff's Management agrees with this recommendation and understands the importance of a regular reconciliation.*

*As a result of the prior audit, Sheriff's Accounting staff worked extensively with County ISD to develop a Cash Reconciliation Report. The report is located within the Justice System, and can be run for any range of dates. The report provides summary totals of receipts and disbursements for all categories of inmate fund activities. It can be used to perform a reconciliation between sales recorded in the Justice System and deposits reported in EFS.*

*Sheriff staff tested the new report by reconciling the month of July 2020. A monthly reconciliation will be implemented beginning FY 20-21.*

*It should be noted, previously Sheriff staff utilized the Justice System Sales and Stock Report to perform the reconciliation. The report was designed to manage inventory. This report did not capture certain transactions such as payments collected after monies were put on an inmate account. Collection may have been days, weeks or months after a sale was made. This should be considered for the unreconciled differences in previous years.*

**Prior Year Recommendation #2:**

Written policies and procedures should be established that clearly describe the Commissary profit transfer process and use of Commissary operating reserves. The policy should establish the reserve balance and prescribe the procedures for its monitoring, use and replenishment. The timing of the calculation and transfer of the profits should also be covered in the policy.

**Management Response to Recommendation #2:**

*This Recommendation was implemented.*

**Prior Year Recommendation #3:**

Physical inventory counts should be performed on at least a bi-annual basis by individuals who are not involved in the processing and recording of inventory transactions. All material adjustments should be investigated and explained with detailed documentation on the adjustment sheet. The IWTF Committee should review annual inventory counts in accordance with the Manual. Prior to processing a payment, the Office's Accounts Payable Section or a Supervising Detention Assistant should match inventory items entered into the perpetual system per system generated reports to those listed on invoices.

**Status: Partially Implemented**

No physical inventory count (normally performed by the Inmate Programs Analyst (or designee)) was performed in fiscal year 2018. Weekly inventory counts were performed by the Detention

Assistants, however these counts are performed by staff who are also involved in the processing and recording of inventory transactions. Inventory counts were performed by the Inmate Programs Analyst or designee in fiscal year 2019, although discrepancies between the physical count and the perpetual system were not investigated, accounted for and reported to the Committee as required by the Manual.

**Management Response to Recommendation #3:**

*Sheriff's Management agrees with this recommendation and understands the importance of bi-annual physical inventory counts and accounting for discrepancies.*

*Prior to the last audit, physical inventory counts were performed by the Analyst (or designee) annually, in June of each year. An inventory was performed in June 2017, with plans to conduct the next in June 2018. The fall 2017 audit report recommended increasing the frequency of inventories to a bi-annual schedule. December inventories would be problematic due to staff vacations, so a new schedule was established, to perform bi-annual inventories in March and September; however this schedule was not implemented in March 2018 and the next inventory was performed in September 2018. The result was that no inventory was performed in FY 17-18. In FY 18-19, two inventories were conducted. In FY 19-20, the March inventory was cancelled as a precaution because of the COVID 19 pandemic.*

*The Sheriff's Office is developing procedures to provide structure to the physical inventory process while also allowing counts to continue during the ongoing pandemic. The new procedures were used for the October 2, 2020 inventory, and will be refined based on feedback from those who participated.*

*Procedures include:*

- *Labeling and mapping each aisle and storage area (e.g. Row A, Row B) to identify the location of different Commissary goods.*
- *Creation of a master inventory list that identifies the row for each item on the list (e.g. Snickers - Row A). The map and master inventory list were provided to each of the three individuals that conducted the count.*
- *Assigning a Commissary "region" to each of the three individuals, to facilitate distancing.*

*Sheriff's Management agrees that material discrepancies noted between the physical inventory count and the system count must be investigated, noted, and reported to the Committee. A process for doing so has been implemented, to better monitor discrepancies and keep the Committee informed.*

*When the inventory count is complete, the Department Analyst will review results, identify discrepancies, and recount the items. A third count will be conducted if the first and second count*

*totals differ. When the physical inventory quantity is confirmed, the number in UNIX will be adjusted to match. The Department Analyst will investigate the cause of discrepancies, and will maintain records of variances and adjustments that will provide a reference for future counts to identify any patterns or persistent problems. The Analyst will present results and findings to the Committee.*

The Sheriff's Office would like to thank you for performing the Inmate Welfare Trust and Jail Stores Trust Fund audit. We appreciate the independent analysis, the information provided to us through your observations, and recommendations. We can assure you that the Sheriff's Office is aware of the issues highlighted in the draft audit report and is taking steps to correct as many issues as practicable.

Sincerely,

MARK ESSICK
Sheriff-Coroner

CC: Eddie Engram – A/S
Heidi Keith – CFA
Connie Newton – ASD
Marta Peavey – Accounting Supervisor
Sharon Post - ASO
Liz Parra – Department Analyst
Melissa Osso – ACTTC Auditor