

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, 2019 - June 30, 2021

Engagement No: 3485
Report Date: August 17, 2022



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Sonoma County Sheriff's Office
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Executive Summary

As a part of the 2021-2022 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, 2019 to June 30, 2021, and determined that:

- Both funds were managed in accordance with the Trust Funds' Policies and Procedures (Policy), 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 Policy and Penal Code Section 4025.
- There were two current year observations and recommendations 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 9.
- The revenues and expenditures in the Annual IWTF and JSTF Reports (pages 13 - 18) represent transactions executed in compliance with the Policy 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, 2019 to June 30, 2021. 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 with 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, as well as being required by Office Policy.

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 calls and phone card sales, as well as interest earned by IWTF, are to be used by the Office primarily for the benefit, education, and welfare of the inmates per the Penal Code Section 4025.

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 two years covered by our audit, \$886,350 in commissary profits were transferred to IWTF. At the end of the fiscal years 2020 and 2021, \$113,738 and \$90,979, respectively, was retained as working capital in JSTF.

As of the end of the audit period (June 30, 2021), the Office was managing approximately \$1.9 million of inmate funds for the following three interrelated areas:

- **Inmate Accounts** - The Office maintains an account for each inmate to account for the monies he/she arrived at the Sheriff's Office detention facilities with and subsequent receipts and disbursements as authorized by the inmate. The balance is returned to the inmate upon release.
- **The Inmate Welfare Trust 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

Introduction and Background

transferred to the IWTF in accordance with Penal Code Section 4025. The activities of the Commissary are accounted for in the JSTF.

When an inmate is booked into custody, an account is set up in the Justice System 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.

The IWTF is set up as a fund in the County's financial accounting system. For the fiscal years ended June 30, 2020, and June 30, 2021, this fund had \$830,522 and \$616,434 in revenues (including transfers from JSTF) and \$682,007 and \$589,283 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 and inmate phone calls in the jail facilities. IWTF purchased phone cards from Legacy Inmate Communications for a unit price of \$6 and sold them to inmates for \$20, a markup of 233%. However, due to the COVID pandemic and the suspension of in-person visitation, the Jail began distributing free phone cards to inmates from March 20, 2020 through January 2021 followed by 10-minutes of daily calls to inmates free of charge; from February 2021 through early October 2021.

Notable two-year combined IWTF expenditures during the audit period included:

- \$655,708 in salary reimbursement costs for Inmate Programs staff including one Program Correctional Deputy and one Administrative Aide;
- \$139,308 for inmate support services provided by Friends Outside in Sonoma County;
- \$52,658 for inmate legal research services provided by Legal Research Associates; and
- \$50,281 for inmate classes delivered by the California Parenting Institute.

It is important to note that the beginning, and most challenging phases of the COVID-19 pandemic occurred during this period, resulting in tremendous impacts to jail operations, particularly due to the fact that jail housing is recognized as a high risk congregant living facility and therefore required to operate under the most strict COVID-19 mitigation standards. Staff at all levels were impacted with COVID, requiring continual modification of tasks and responsibilities.

Objectives and Scope

Objectives

The objectives of this audit were to determine whether:

1. Inmate accounts were maintained in compliance with the Policy and relevant laws, including Government Code Sections 26640 and 26641.
2. The money deposited in the IWTF was expended in accordance with the Policy 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 Policy 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 Policy and the law.

Scope

The audit covered the period July 1, 2019, through June 30, 2021. 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 Policy.

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) reports.
5. Gained an understanding of the Office's cost allocation process related to IWTF and JSTF.
6. Performed revenue analysis for IWTF and JSTF based on prior years actuals and Justice System records.
7. Performed expenditure analysis for IWTF and JSTF based on prior years 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 Policy and relevant laws, including Government Code Sections 26640, 26641 and 26642.

We determined that inmate accounts were maintained in compliance with Policy 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 Policy 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 Policy 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 Policy and Penal Code Section 4025.

We determined that the profits from the operations of the Commissary for the fiscal years ended June 30, 2020, and June 30, 2021, were transferred to the IWTF as required by Policy and Penal Code Section 4025. We noted no exceptions.

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

We noted three errors in the IWTF reports (notes 1 and 2 on page 18) and four errors in the JSTF reports (note 3 on page 18). Except for these errors, the revenues and expenditures in the annual IWTF and JSTF Reports (pages 12-17) represent transactions executed in compliance with the Policy 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.

Results and Other Matters

- 4) Test of a sample of Commissary transactions.
- 5) Evaluation of reasonableness of Commissary profits based on data from the Justice System.

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

Observation #1: Policies and Procedures (Risk Classification C)

Numerous activities have changed for the IWTF and JSTF processes, the recent outsourcing of the jail store Commissary operations in March 2022, which is outside of the current audit period but still noteworthy. Since the Commissary operations were outsourced to a vendor, many associated responsibilities, specifically commissary pricing and the jail stores physical inventory processes are no longer performed at or by MADF staff. Although the Commissary operations were outsourced, the Committee and the Office oversee the contract and monitor commissary pricing. As of the drafting of this audit report the Policy for the Inmate Welfare and Jail Stores Trust Funds has not yet been updated, and therefore does not reflect current operations or procedures.

Recommendation #1:

The Inmate Welfare and Jail Stores Trust Funds Policy should be updated to reflect changes in commissary system operations (section 4.4 - Fund Property), commissary pricing (section 4.12 - Commissary Pricing) and the jail stores physical inventory processes (section 4.14 - Inventory Control).

Management Response:

Management concurs with this recommendation. The Policy will be updated to reflect changes in the commissary and inmate banking system.

Observation #2: Financial Reporting of Inmate Education Program Expenses Lack Consistency (Risk Classification C)

Expenditures for Inmate Programs are recorded in one account in the financial accounting system. Inmate Programs are provided by multiple vendors using various resources. Some vendors provide more than one service, and as a result, in the annual summary report department staff choose not to report Program expenditures by program type, which in some cases would involve splitting invoices. Some expenses for services are instead reported by vendor and some are reported in the supplies line item. Inmate books/subscriptions and art supplies are aggregated and reported in the supplies line item. Reporting in this manner requires staff to organize transactional detail and sort expenditures in these categories in order to prepare the summary annual report. This approach makes reporting and audits labor intensive, has led to inconsistent reporting of inmate educational program expenditures from year to year and is

Results and Other Matters

error prone, thus requiring additional audit effort. For fiscal year 2021 \$5,921 in architectural and California Parenting Institute expenses were misclassified as supplies expenses. The misclassified expenses were made up of \$4,207 in architect fees, related the Teacher Instructor Room Renovation Project and \$1,714 in California Parenting Institute expenses. In fiscal 2020 the remodeling project was named "Provider Office Remodel" and in fiscal 2021 the name was changed to "Teacher Instructor Room Renovation". Some services are reported by vendor name, in some instances that name also includes some indication of the program type, in other instances no program type is indicated, since vendors change over time this makes it difficult to compare how much is spent by program type from one year to the next.

Recommendation #2:

The Sheriff's Office should develop instructions for reporting inmate educational program expenses and establish a consistent way of reporting expenses. The Sheriff's Office should consider reporting inmate educational expenditures by major type of educational program using different line items with totals, which could be accomplished using cost accounting codes. Reporting by educational program type, would make the reporting consistent with the way other expenses are reported in the annual summary report, it would also be the most transparent and provide the most useful information for decision makers.

Management Response:

The Sheriff's Office supports the development of instructions for reporting inmate educational program expenses and establishing a consistent way of reporting expenses. We are committed to working towards this goal as staffing allows. Additionally, the Office is not opposed to evaluating how the funds are currently being reported and is open to working with ACTTC to explore options. Any adjustments to the annual financial report will need to satisfy the Sheriff's Office functional needs as well as our desire to be as transparent as possible.

Prior Year Observations and Recommendations

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 Policy. The active participation of the committee is necessary to demonstrate that the Office is properly discharging its fiduciary responsibility toward the inmates.

Recommendation #1:

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

Status: Partially Implemented

Audit found that some Committee duties, including the review of the Inmate Welfare Trust Fund Annual Report in fiscal year 2020, and Commissary inventory reviews being performed per the Policy requirements, were not being performed consistently. However, Audit found that the Committee met in all quarters but one in the Audit period, the annual budgets were reviewed and approved, and that the quarterly revenue and expenditures were reviewed at all but one meeting. Overall, Audit finds that the Committee has made improvements in its participation of their fiduciary responsibilities.

Management Response:

The Sheriff and the Office take our fiduciary responsibility very seriously as evidenced by our commitment to safeguarding inmate funds and the wellbeing of the individuals in our care. Management concurs that Committee involvement and consistent review of reports are major components of the Office's responsibilities. These tasks have been particularly challenging during the global pandemic. One Committee meeting was postponed twice as a result of the need for Office staff to attend to urgent COVID-19 responsibilities. When a lack of quorum exists, meetings are postponed. One commissary inventory was never scheduled due to the inability to conduct the count while maintaining COVID social distancing requirements. The Office is committed to the performance of all duties as outlined in the IWTF Policy.

Observation #2: 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

Prior Year Observations and Recommendations

appropriate mechanisms, automated or manual, to collect all funds for items sold and ensure that proper controls exist over sales and receipts.

Recommendation #2:

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: Implemented

We note that a new reconciliation process was developed and is now performed monthly by Sheriff's Accounting. For both fiscal years 2020 and 2021, the revenue recorded in the Justice System tied to the revenue recorded in EFS without exception.

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 Policy. 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: Closed

The Jail Store's physical inventory counts (performed by the Inmate Programs Analyst or designee) were not reconciled to system records with material adjustments investigated and explained. One physical inventory count was performed by the Inmate Programs Analyst (or designee) in fiscal year 2020, and it was not shared with the Committee. The weekly inventory counts performed by the Detention Assistants, are still performed by staff who are also involved in the processing and recording of inventory transactions, however we noted Detention Supervisors were reperforming some counts to assure accuracy. In March of 2022, the Commissary operations (and therefore inventory responsibilities) were outsourced to a vendor selected through an RFP process. This finding is now closed, these responsibilities are no longer performed at or by MADF staff.

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.

Inmate Welfare Trust Fund Report

**Sonoma County Sheriff's Office
Inmate Welfare Trust Fund Report
For the Fiscal Year Ended June 30, 2020**

Beginning Fund Balance	\$ 1,487,666
<u>Revenues</u>	
Interest on Pooled Cash	\$ 36,770
Unrealized Gain / (Loss)	(2,057)
Phone Revenues	271,305
Bail Bond Advertising	44,624
Kiosk Commission	3,257
Lobby Locker Revenue	529
Donation	2,500
Prior Year Phone & Locker Revenue	2,596
Transfer from Jail Stores Trust	470,998
Total Revenues	\$ <u>830,522</u>

**Sonoma County Sheriff's Office
Inmate Welfare Trust Fund Report
For the Fiscal Year Ended June 30, 2020
Continued**

Expenditures

Salary Reimbursement Costs	
Program Correctional Deputy	\$ 183,052
Program Administrative Aide	133,268
Reading Program	1,251
Total Salary Reimbursement Costs	\$ 317,571
Inmate Educational Programs	
California Parenting Institute	\$ 45,188
Friends Outside in Sonoma County	71,136
Goodwill Industries of the Redwood Empire	13,790
Legal Research Associates	22,033
Jail Industries	60,000
Edovo Tablets	20,029
Changing Gears Bicycle Program	1,021
Provider Office Remodel	10,315
Supplies	8,548
Total Inmate Educational Programs	\$ 252,060
Services and Supplies	
Communication Expense	\$ 9,621
Maintenance Building Improvements	3,306
Client Accounting Services	3,350
Auditing Services	15,250
TV Services	11,310
Indigent Mail	142
Training and Conferences	4,116
Membership/Certifications	150
Inmate Incentives	21,502
Office Supplies	2,597
Books/Media/Subscriptions	12,276
Minor Equipment and Small Tools	5,352
Welfare Bags	23,404
Total Services and Supplies	\$ 112,376
Total Expenditures	\$ 682,007
Change in fund balance	\$ 148,515
Beginning fund balance	1,487,666
Ending Fund Balance	\$ 1,636,181

**Sonoma County Sheriff's Office
 Inmate Welfare Trust Fund Report
 For the Fiscal Year Ended June 30, 2021**

Beginning Fund Balance	\$ 1,636,181
<u>Revenues</u>	
Interest on Pooled Cash	\$ 14,811
Unrealized Gain / (Loss)	(9,092)
Telephone Revenues	144,566
Jail Sign Board Advertising	47,774
Kiosk Commission	2,879
Prior Year Phone & Locker Revenue	144
Profits from Jail Stores	<u>415,352</u>
Total Revenues	<u>\$ 616,434</u>

**Sonoma County Sheriff's Office
Inmate Welfare Trust Fund Report
For the Fiscal Year Ended June 30, 2021
Continued**

Expenditures

Salary and Benefit Reimbursements	
Program Officers	\$ 192,754
Admin Aide	145,383
Total Salary and Benefit Reimbursements	\$ 338,137
Inmate Educational Programs	
California Parenting Institute	\$ 5,093
Friends Outside in Sonoma County	68,172
Legal Research Associates	30,625
Education Supplies (Books, Art & Recreational) & Misc.	31,112
Teacher Instructor Room Renovation	7,864
Total Inmate Educational Programs	\$ 142,866
Services and Supplies	
Communication Expense (Free Phone Cards)	\$ 25,740
Maintenance - Equipment	774
Maintenance - Building Improvement	248
Rents and Leases - Equipment	3,400
Client Accounting Services	6,343
TV and Cable Services	10,994
County Counsel	1,794
Inmate Orientation Video	6,560
Inmate Incentives	12,765
Office Supplies	1,889
Books/Media/Subscriptions for Inmates	12,926
Minor Equipment and Small Tools	13,776
Computer Equipment/Accessories	2,824
Welfare Bags	8,247
Total Services and Supplies	\$ 108,280
Total Expenditures	\$ 589,283
Change in fund balance	\$ 27,152
Beginning fund balance	1,636,181
Ending Fund Balance	\$ 1,663,332

Jail Store Trust Fund Report

Sonoma County Sheriff's Office
Jail Store Trust Fund Report
For the Fiscal Year Ended June 30, 2020

Beginning Fund Balance	\$ 60,937
Revenues	
Unrealized Gain / (Loss)	\$ (1,885)
Vending	58,436
Recycling	103
Commissary Sales & Phone Cards	1,361,111
Prior Year Vending, Phone & Commissary Revenue	356
Total revenues	<u>\$ 1,418,121</u>
Expenditures	
Commissary Merchandise	
Phone Cards	\$ 49,584
Vending Inventory and Services	40,766
Food and Beverages	434,653
Other Supplies	2,828
Clothing and Personal Items	36,258
Office Supplies	4,518
Books/Media/Subscriptions	519
Mail and Postage Supplies	16,774
Merchandise Credit	(173)
Total merchandise expenditures	<u>\$ 585,727</u>
Operating Expenditures	
Printing & Binding Supplies	\$ 10,104
Maintenance - Equipment	4,788
Software/Licensing	340
Administrative Overhead	35,471
Audit Services	15,250
Staff Payroll	237,233
ISD - Baseline Services	5,409
Total operating expenditures	<u>\$ 308,595</u>
Operational Transfers	
Profits to Inmate Welfare Trust	\$ 470,998
Total expenditures and operating transfers	<u>\$ 1,365,320</u>
Change in fund balance	\$ 52,801
Beginning fund balance	60,937
Ending fund balance	<u><u>\$ 113,738</u></u>

Internal Audit:
Sonoma County Sheriff's Office
Inmate Welfare and Jail Store Trust Funds
Engagement No: 3485

**Sonoma County Sheriff's Office
Jail Store Trust Fund Report
For the Fiscal Year Ended June 30, 2021**

Beginning Fund Balance	\$ 113,738
Revenues	
Unrealized Gain / (Loss)	\$ (4,079)
Vending	5,796
Commissary & Phone Debit Cards	1,190,173
Prior Year Vending, Phone & Commissary Revenue	219
Total revenues	<u>\$ 1,192,109</u>
Expenditures	
Merchandise Expenditures	
Phone Cards	\$ 17,100
Vending Inventory and Services	13,553
Food and Beverages	433,959
Other Supplies	21
Clothing and Personal Items	42,766
Office Supplies	4,374
Books/Media/Subscriptions	437
Mail and Postage Supplies	14,858
Total merchandise expenditures	<u>\$ 527,068</u>
Operating Expenditures	
Printing and Binding Supplies	\$ 10,404
Maintenance - Equipment	5,501
Administrative Overhead	33,609
Rents and Leases - Equipment	1,733
Staff Payroll	215,597
ISD - Basline Services	5,604
Total operating expenditures	<u>\$ 272,448</u>
Operational Transfers	
Profits to Inmate Welfare Trust	\$ 415,352
Total expenditures and operating transfers	<u>\$ 1,214,868</u>
Change in fund balance	\$ (22,759)
Beginning fund balance	<u>113,738</u>
Ending fund balance	<u><u>\$ 90,979</u></u>

Notes to the Trust Fund Reports

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.

In the Inmate Welfare Trust Fund Annual Report for fiscal year July 1, 2020 – June 30, 2021 that was presented to the Board, the Unrealized Loss should have been \$9,092 instead of (\$473); a correction was made to the fiscal year 2021 Unrealized Loss in this report (page 14). The Sheriff's Office prepared financial transaction data from EFS reports run through period 12. This error occurred as a result of a correcting journal entry made by the ACTTC that was posted to EFS after period 12 as an adjustment, prior to closing fiscal year 2021.

Note 2: Inmate Welfare Trust Fund Report – Adjustments

In fiscal year 2020, \$470 in training and conference expenses were overcharged to the IWTF from Detention Admin. The Sheriff's Office will process a reimbursement to the IWTF for the overcharge in fiscal year 2022.

Note 3: Jail Store Trust Fund Report - Adjustments

In fiscal year 2019, revenues from vending was understated by \$6,226 due to a coding error that occurred in the deposit process. The \$6,226 of vending revenue was incorrectly deposited into the General Fund as medical co-pay funds. In fiscal year 2020, JSTF included \$6,226 in prior revenue to correct a coding error in fiscal year 2019. Since this revenue was already reported in the 2019 audited JST fund financial report, an adjustment was made to remove this revenue amount from the audited 2020 JST fund financial report, and the amount was included in the beginning fund balance for fiscal year 2020.

In fiscal year 2020, sales tax collected totaling \$9,770 was reported within Commissary revenue, the amount due to the State was paid and recorded in fiscal year 2021, an adjustment was made to reduce Commissary revenue in 2020 and recognize the reduction in fund balance due to the sales tax liability at the end of 2020. In fiscal year 2021, an adjustment was made for the same amount to restore \$9,770 that was deducted from Commissary revenue.

In fiscal year 2021, \$8,828 in sales tax was collected on Commissary sales and paid to the State, this amount represents a tax liability owed to the State, as such it is not reported as either a revenue or an expense in the Annual Summary Report.

Notes to the Trust Fund Reports

In the Jail Stores Trust Fund Annual Report for fiscal year July 1, 2020 – June 30, 2021 that was presented to the Board, the Unrealized Loss should have been \$4,079 instead of (\$192), a correction was made to the fiscal year 2021 Unrealized Loss in this report (page 17). The Sheriff's Office prepared financial transaction data from EFS reports run through period 12. This error occurred as a result of a correcting journal entry made by the ACTTC that was posted to EFS after period 12 as an adjustment, prior to closing fiscal year 2021.

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

August 15, 2022

Kanchan Charan, Audit Manager
Audit Division
Sonoma County Auditor-Controller-Treasurer-Tax Collector (ACTTC)

RE: Audit No. 3485 – Internal Audit: Sonoma County Sheriff's Office Inmate Welfare and Jail Store Trust Funds

Dear Mr. Charan,

We have received and reviewed the above-referenced draft audit report. As always, we appreciate your work and thoughtful analysis. After internal discussions and meeting with your staff we are submitting the following responses to your recommendations. If there are any changes in the final report, we will submit a supplemental response.

CURRENT AUDIT RECOMMENDATIONS

Recommendation #1:

The Inmate Welfare and Jail Stores Trust Funds Policy should be updated to reflect changes in commissary system operations (section 4.4 - Fund Property), commissary pricing (section 4.12 - Commissary Pricing) and the jail stores physical inventory processes (section 4.14 - Inventory Control).

Management Response:

Management concurs with this recommendation. The Policy will be updated to reflect changes in the commissary and inmate banking system.

Recommendation #2:

The Sheriff's Office should develop instructions for reporting inmate educational program expenses and establish a consistent way of reporting expenses. The Sheriff's Office should consider reporting inmate educational expenditures by major type of educational program using different line items with totals, which could be accomplished using cost accounting codes. Reporting by educational program type, would make the reporting consistent with the way other expenses are reported in the annual summary report, it would also be the most transparent and provide the most useful information for decision makers.

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Appendix B-Management Responses

Management Response:

The Sheriff's Office supports the development of instructions for reporting inmate educational program expenses and establishing a consistent way of reporting expenses. We are committed to working towards this goal as staffing allows. Additionally, the Office is not opposed to evaluating how the funds are currently being reported and is open to working with ACTTC to explore options. Any adjustments to the annual financial report will need to satisfy the Sheriff's Office functional needs as well as our desire to be as transparent as possible.

PRIOR AUDIT RECOMMENDATIONS

Recommendation #1:

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

Status: Partially Implemented

Audit found that some Committee duties, including the review of the Inmate Welfare Trust Fund Annual Report in fiscal year 2020, and Commissary inventory reviews being performed per the Policy requirements, were not being performed consistently. However, Audit found that the Committee met in all quarters but one in the Audit period, the annual budgets were reviewed and approved, and that the quarterly revenue and expenditures were reviewed at all but one meeting. Overall, Audit finds that the Committee has made improvements in its participation of their fiduciary responsibilities.

Management Response:

The Sheriff and the Office take our fiduciary responsibility very seriously as evidenced by our commitment to safeguarding inmate funds and the wellbeing of the individuals in our care. Management concurs that Committee involvement and consistent review of reports are major components of the Office's responsibilities. These tasks have been particularly challenging during the global pandemic. One Committee meeting was postponed twice as a result of the need for Office staff to attend to urgent COVID-19 responsibilities. When a lack of quorum exists, meetings are postponed. One commissary inventory was never scheduled due to the inability to conduct the count while maintaining COVID social distancing requirements. The Office is committed to the performance of all duties as outlined in the IWTF Policy.

The Sheriff's Office would like to thank you and your audit staff for performing the Inmate Welfare Trust and Jail Stores Trust Fund audit. We continue to appreciate the independent analysis, observations, information and recommendations. This process helps provide us with solid direction on where we can continue to improve.

Sincerely,



MARK ESSICK
Sheriff- Coroner

CC: Eddie Engram, Assistant Sheriff