

County of San Bernardino

**Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section**

Sheriff's Department:

Inmate Personal Property Accounting Audit



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June 24, 2014

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SUBJECT: INMATE PERSONAL PROPERTY ACCOUNTING AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Sheriff's Department for the period of June 2013 through August 2013. The primary objectives of the audit were to review internal controls over the inmate personal property inventory, including cash receipts and disbursements, and to identify opportunities for improvement. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on March 20, 2014 and discussed our observations with management on May 1, 2014. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Sheriff's Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

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Enclosure

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Sheriff's Department:

Inmate Personal Property Accounting Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the inmates' personal property.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to our *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	Finding – Administration: Cash handling practices should be improved.	8
	Recommendation: Management should schedule armored truck transport services for Monday through Friday to prevent large amounts of cash from accumulating. Also, management should change the safe combinations each time an employee with knowledge of the combination is transferred, terminated, or resigns.	
2	Finding - Administration: The Department inappropriately transfers unclaimed funds to the Inmate Welfare Fund.	9
	Recommendation: Management should discontinue transferring unclaimed funds to the Sheriff's Inmate Welfare Fund and begin transferring those funds to the County's general fund.	
3	Finding - Administration: Inmate accounts in the Jail Information Management System are not being reconciled to the bank account balance.	10
	Recommendation: The Department should reconcile the inmate cash balances to the bank account monthly.	
4	Finding - Administration: The duties for issuing and recording checks for inmates should be properly segregated.	11
	Recommendation: Management should establish and implement a policy separating incompatible duties, including the preparation, signing, and recording of checks.	



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5	Finding – West Valley Detention Center: Controls over the inmates' cash assets during the booking process should be improved.	12
	Recommendation: Management should strengthen its oversight over the inmate booking process by reinforcing the Department's policies for properly securing the inmates' cash assets.	
6	Finding – West Valley Detention Center: Segregation of duties should be improved.	13
	Recommendation: We recommend that management implement proper segregation of duties in the Fiscal Services Unit to mitigate the risk of undetected errors and potential theft.	
7	Finding – Central Detention Center: Adequate controls over the blank check stock and signature stamp are not in place.	14
	Recommendation: Management should establish physical controls over the blank checks and signature stamp used for processing inmate releases.	
8	Finding – Central Detention Center: Adjustments to inmate accounts should be approved.	15
	Recommendation: Adjustments to inmate accounts should be approved by a higher authority.	
9	Finding – Central Detention Center: Inmate noncash property needs to be properly safeguarded.	16
	Recommendation: Management needs to restrict the use of sealing devices to the initial intake process area.	

- **Finding 1: Cash handling practices should be improved.**

Administration - Cash receipts generally range from approximately \$2,000 to \$20,000 per day. Brinks is scheduled to transport the cash deposits to the bank 3 days per week: Monday, Wednesday, and Friday. Since the daily receipts regularly exceed the \$1,000 deposit requirement, the Department should change their scheduled cash deposits from 3 days to 5 days per week. Additionally, over the past several years, personnel that had knowledge of the



safe combinations in the Fiscal Services Units have left. However, management did not change the combinations to the safes when these changes occurred.

- **Finding 2: The Department inappropriately transfers unclaimed funds to the Inmate Welfare Fund.**

Administration - The Department inappropriately transfers funds abandoned by released inmates to the Sheriff's Inmate Welfare Fund. These funds should be transferred to the County's general fund. During FY 2013, approximately \$155,644 was transferred from the Inmate Trust Fund to the Inmate Welfare Fund. We also noted that the abandoned funds records at one of the facilities did not appear to be frequently reviewed by the staff. Furthermore, there was no evidence that the inmates were properly notified to claim their abandoned funds.

- **Finding 3: Inmate accounts in the Jail Information Management System are not being reconciled to the bank account balance.**

Administration - The Jail Information Management System (JIMS) is used to record and track the inmates' cash assets maintained in the Inmate Trust checking account. The Department indicates JIMS does not provide sufficient transaction information to allow reconciliation of the JIMS account balances to the bank statements.

- **Finding 4: The duties for issuing and recording checks for inmates should be properly segregated.**

Administration - The Fiscal Assistants in the Fiscal Services Units are responsible for issuing checks to inmates when they are released from custody. The Fiscal Assistants also sign the checks using a signature stamp and record the check information in the inmate's JIMS account. The preparation, signing, and recording of the checks are incompatible duties and should not be performed by the same individual.

- **Finding 5: Controls over the inmates' cash assets during the booking process should be improved.**

West Valley Detention Center - The Sheriff's Custody Specialist (SCS) recounts the inmate's cash, enters the amount into the Jail Information Management System (JIMS), and places the cash in a small money envelope, labeling it with the inmate's booking information. Instead of



securing the inmate's cash assets in the designated lockbox in the booking unit, the SCS places the cash in an unlocked box on their desk until the end of their shift.

- **Finding 6: Segregation of duties should be improved.**

West Valley Detention Center - The Supervising Fiscal Specialist reviews and approves the work performed by the Fiscal Assistant. When the Fiscal Assistant is either on break or lunch, the Supervising Fiscal Specialist will perform the duties of the Fiscal Assistant. This is a segregation of duties deficiency because the Supervising Fiscal Specialist is reviewing and approving her own work.

- **Finding 7: Adequate controls over the blank check stock and signature stamp are not in place.**

Central Detention Center - The Sheriff's Custody Specialist (SCS) will issue a check to the inmate for any amount in excess of \$40 when the inmate has a cash balance at the time of their release. The SCS uses a signature stamp on the signature line when the check is prepared. The blank check stock and signature stamp are kept together in an unsecured drawer to which all employees working in the unit have access.

- **Finding 8: Adjustments to inmate accounts should be approved.**

Central Detention Center - Occasionally, the Sheriff's Custody Assistants will enter the incorrect deposit amount on the inmate's account. The Fiscal Assistant in the Fiscal Services Unit encounters the error while reconciling the cash deposits from the previous day and makes the appropriate adjustment to the inmate's account. However, the Fiscal Assistant does not obtain the necessary approval from a higher authority (i.e., sergeant, lieutenant, or captain) before processing account adjustments.

- **Finding 9: Inmate noncash property needs to be properly safeguarded.**

Central Detention Center - The inmate's personal property, excluding cash, and the property receipt form are placed in a clear plastic bag and sealed with a heat sealing device. The property is to remain sealed and stored in the property room until the inmate is released. However, there was an additional sealing device that is used in the property storage room, providing opportunities to reseal property bags that have been opened without proper authorization.



Inmate Booking Process

The Sheriff's Department is responsible to secure the inmates' cash and personal property from the time they are booked into custody until they are released from the detention facility. The Sheriff's Department maintains an account for each inmate in the Jail Information Management System (JIMS). During the booking process, an inventory of the inmates' cash and noncash property is taken and entered in JIMS. The inmates' noncash property is stored in a property storage area within the detention facility. All cash assets, including monies received from family and friends or monies earned through in-house work assignments, are maintained in the Inmate Trust Account. Disbursements from the account occur when inmates make commissary purchases, incur medical expenses and other jail-related fees, or are discharged from the detention facility.

During the period of July 1, 2012 and June 30, 2013, approximately \$8,930,806 was received and deposited in the trust account.

Inmate Release Process

The releasing of inmates involves a two-step process. First, they are initially instructed to go to the property storage area to retrieve their clothing and other noncash property. The Sheriff's Custody Specialist performs security procedures to verify the identity of the inmates before releasing their property. Secondly, all inmates are sent to the Fiscal Services Unit. The inmates that do not have any cash assets to claim must sign the release receipt acknowledging this fact. For inmates that have a cash balance, the Sheriff's Fiscal Assistant will provide the inmates with their funds and instruct them to sign the release receipt.

When inmates are unable to take their cash assets with them at the time of their release, their money is recorded in the Abandoned Funds (ABF) file until such time the inmates return to the facility to claim their cash assets. There are three types of Abandoned Funds:

Facility

A Facility Abandoned Fund file maintained at the specific detention facility. An inmate's cash funds are recorded in the ABF files for various reasons. For instance, cash cannot be distributed to the inmates when the inmate is released from custody at the intake desk or if the Jail Information Management System is down. The funds are recorded in the facility's abandoned funds file and the inmates are subsequently notified of their cash balances.



Commissary

Commissary purchases are immediately deducted from the inmate's account when the items are requested. It takes approximately two days for the items to be delivered to the inmate. However, if the inmate is released prior to receiving their purchases, their funds are considered abandoned until a refund is requested and issued.

Prepaid Phone Time

Family and friends may purchase prepaid calling accounts for the inmates. The account is established with either \$25 or \$50. If the inmate is either released or transferred to another detention facility, and there is an unused balance on their prepaid account, then those funds will be considered abandoned until the inmate is refunded for the unused time.

Cash on hand for Inmate Releases

The West Valley Detention Center and the Central Detention Center keep \$6,000 and \$3,500, respectively, in cash from the inmate trust fund to disburse to inmates when they are released from custody. We acknowledge that, due to the nature of the Department's operations, the cash on hand is necessary to process inmate releases but should not exceed the current dollar amounts.



Scope and Objectives

Our audit examined the Department's booking and release process as it relates to inmate property for the period of June 2013 through August 2013. While the primary review focused on the time identified in the audit period, it did not preclude the auditor from reviewing and communicating any other matters that came to the auditor's attention during the fieldwork. We conducted our fieldwork at the West Valley Detention Center (Rancho Cucamonga), Central Detention Center (San Bernardino), and the Victor Valley Jail Facility (Victorville).

The objectives of our audit were to:

- Review the internal controls over the inmate personal property inventory.
- Review the internal controls over the receipt and disbursement of inmate cash.

Methodology

In achieving the audit objectives, the following evidence gathering and analysis techniques were used, including but not limited to:

- Reviewing the California Government Code Sections 26640-26646, San Bernardino County Internal Controls and Cash Manual, and the Sheriff's Department policies and procedures.
- Interviewing Department management and personnel that were directly involved in the booking and release process.
- Observing departmental personnel perform their respective job functions.
- Examining daily cash reports from the inmate trust account and other relevant financial information.



Administration

Finding 1: Cash handling practices should be improved.

According to the Internal Controls and Cash Manual (ICCM), page 3-3, deposits must be made by the next business day when the receipts (including cash, checks, and money orders) reach \$1,000. Also, the ICCM instructs County departments to change combinations to the safe when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned to other duties. Even if there are no staffing changes, combinations must be changed annually.

The Department's cash receipts generally range from approximately \$2,000 to \$20,000 per day. Brinks is scheduled to transport the Department's cash deposits to the bank 3 days per week: Monday, Wednesday, and Friday. Since the daily receipts regularly exceed the \$1,000 deposit requirement, the Department should change their scheduled cash deposits from 3 days to 5 days per week.

Additionally, over the past several years, personnel that had knowledge of the safe combinations in the Fiscal Services Units have either been terminated or transferred out of the units. However, management did not change the combinations to the safes when these changes occurred.

Management was unaware of the County's ICCM's guidelines for deposit and safe requirements. Inadequate internal controls provide the opportunity to misappropriate cash, thereby increasing the risk of potential theft.

Recommendation:

Management should schedule armored truck transport services for Monday through Friday to prevent large amounts of cash from accumulating. The Fiscal Assistant in the Fiscal Services Unit should be available to assist the transport service during its scheduled pick up times. Management should also change the combination to the safe each time an employee with knowledge of the combination is transferred, terminated, or resigns. Nonetheless, the safe combinations should be changed, at the minimum, on an annual basis.

Management's Response:

The armored car cash pick up is being done 5 days a week at WVDC, GHRC and CDC. The Department is researching new safes for all the facilities with new technology for employee identification (fingerprint).



Auditor's Response:

The Department's actions and planned actions will correct the deficiency noted in the finding.

Finding 2: The Department inappropriately transfers unclaimed funds to the Inmate Welfare Fund.

California Government Code 26642 states:

"The sheriff shall pay into the general fund for the use and benefit of the county any money of a prisoner or the proceeds of the sale of his or her valuables remaining unclaimed for a period of one year after his or her release, or five years after his or her death, or 120 days after a notice has been sent to his or her last known address or, in the event of his or her death, one year after a notice has been sent to his or her last known next of kin."

The Department inappropriately transfers funds abandoned by released inmates to the Sheriff's Inmate Welfare Fund. These funds should be transferred to the County's general fund. During FY 2013, approximately \$155,644 was transferred from the Inmate Trust Fund to the Inmate Welfare Fund. We also noted that the abandoned funds records at one of the facilities did not appear to be frequently reviewed by the staff. Furthermore, there was no evidence that the inmates were properly notified to claim their abandoned funds.

According to the Department, a previous administration established the policies and procedures transferring abandoned funds to the Inmate Welfare Fund. During the past fiscal years, the County would have benefited from the additional cash if the Department would have transferred the unclaimed funds to the general fund.

Recommendation:

Management should discontinue transferring unclaimed funds to the Sheriff's Inmate Welfare Fund and begin transferring those funds to the County's general fund. In addition, management should amend the Department's current policies to reflect the requirements of the California Government Code 26642. Management should also periodically review the abandoned funds practices to ensure that appropriate measures are taken to notify released inmates regarding their cash balances. These notifications should be documented and maintained on file.



Management's Response:

The Department now sends all unclaimed funds to the County General Fund.

Auditor's Response:

The Department has implemented actions that will correct the deficiency noted in the finding.

Finding 3: Inmate accounts in the Jail Information Management System are not being reconciled to the bank account balance.

Reconciliation is a detective control used to identify errors or potential fraud in the accounting that may require further investigation. Additionally, reconciliations assure management that account balances are complete and accurate.

The Jail Information Management System (JIMS) is used to record and track the inmates' cash assets maintained in the Inmate Trust Account. Transactions such as deposits made by family, expenses for medical treatments, and disbursements when inmates are released all have a significant impact on the trust account balance at month-end. According to the Department, JIMS does not provide sufficient transaction information to establish beginning balances, receipts, disbursements, and ending balances, thereby hindering the proper reconciliation of the individual inmate account records with the bank statements.

Without monthly reconciliations, the likelihood of accounting errors, theft, and potential fraud going undetected increases, especially in a system application that is shared by multiple detention facilities.

Recommendation:

Management should request that the Sheriff's IT Department examine the JIMS system capabilities to determine if a report that provides individual inmate account information, such as beginning balances, receipts, disbursements, and ending balances, can be produced for reconciliation purposes. We also recommend management pursue other options, as needed, to ensure there is a detail report of inmate account balances to enable reconciliation to the bank account.

Once the report of inmate cash balances is available, the Department should prepare a monthly reconciliation of the bank account to the report. The reconciliation should be prepared by someone independent of the cash



receipting, cash disbursement, and recording functions. The reconciliation should be reviewed and signed by an employee of a higher-ranking job code.

Management's Response:

The accounts will be reconciled with the bank on a monthly basis as soon as the updated JIMS System is loaded and reconfigured.

Auditor's Response:

The Department's planned actions will correct the deficiency noted in the finding.

Finding 4: The duties for issuing and recording checks for inmates should be properly segregated.

The County's ICCM on page 2-3 states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. Effective segregation of duties reduces the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

The Fiscal Assistants in the Fiscal Services Units are responsible for issuing checks to inmates when they are released from custody. The Fiscal Assistants also sign the checks using a signature stamp and record the check information in the inmate's JIMS account. However, the preparation, signing, and recording of the checks are incompatible duties and should not be performed by the same individual.

Management was unaware of the County's ICCM guidelines for proper segregation of duties. Not segregating duties increases the risk of undetected errors and potential theft.

Recommendation:

Management should establish and implement a policy separating incompatible duties, including the preparation, signing, and recording of checks. The likelihood of errors and potential theft is reduced when responsibilities are segregated among multiple individuals.

Management's Response:

This is being worked out logistically at all the facilities and then the facility specific policies will be amended (number of personnel).



Auditor's Response:

The Department's planned actions will correct the deficiency noted in the finding.

West Valley Detention Center

Finding 5: Controls over the inmates' cash assets during the booking process should be improved.

Section 16.310, *Intake Drawer Recap*, of the West Valley Detention Center policy manual states that "all monies collected at each booking window shall be packaged and accompanied with the booking register sheet from each booking window, sealed in a bag and dropped into the locked fiscal box on the Bridge."

Inmates will often have cash in their possession at the time of arrest. The arresting officer is required to count it and give it to the Sheriff's Custody Specialist (SCS) in the booking unit so that the funds can be recorded. The SCS recounts the inmate's cash assets, enters the amount into the Jail Information Management System (JIMS), and places the cash in a small money envelope, labeling it with the inmate's booking information. Instead of securing the inmate's cash assets in the designated lockbox in the booking unit, the SCS places the cash in an unlocked box on their desk until the end of their shift.

Management did not establish routine monitoring procedures to ensure staff is complying with departmental policies. The susceptibility of theft significantly increases if cash is not properly secured until the funds are deposited into the inmate trust account.

Recommendation:

We recommend that management strengthen its oversight over the inmate booking process by reinforcing the Department's policies for properly securing the inmates' cash assets. Periodically, management should formally instruct personnel regarding the policies and document this instruction. Additionally, management should establish and implement routine monitoring procedures that would provide management with adequate assurance of the employees' compliance with the established policies and procedures.



Management's Response:

WVDC reviewed its policy with all bridge personnel. Facility specific policies are being reviewed at all the booking facilities as well as purchasing a locked drop box for the bridge areas.

Auditor's Response:

The Department's actions and planned actions will correct the deficiency noted in the finding.

Finding 6: Segregation of duties should be improved.

The County's ICCM on page 2-3 states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. Effective segregation of duties reduces the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

The Fiscal Assistant's job functions include processing civilian deposits and distributing unused cash balances to the inmates at the time of their release. A single Fiscal Assistant is scheduled to work each of the three shifts (Morning, Swing, and Graveyard). The Supervising Fiscal Specialist reviews and approves the work performed by the Fiscal Assistant. When the Fiscal Assistant is either on break or lunch, the Supervising Fiscal Specialist will perform the duties of the Fiscal Assistant. This is a segregation of duties deficiency because the Supervising Fiscal Specialist is reviewing and approving her own work.

Management was unaware of the County's ICCM's guidelines for proper segregation of duties. Not segregating duties increases the risk of undetected errors and potential theft.

Recommendation:

We recommend that management implement proper segregation of duties in the Fiscal Services Unit to mitigate the risk of undetected errors and potential theft. The Fiscal Assistant's duties performed by the Supervising Fiscal Specialist should be reviewed and approved by a higher-level employee.



Management's Response:

The fiscal areas at the facilities are being reviewed for checks and balances within the system (personnel).

Auditor's Response:

The Department's planned actions will correct the deficiency noted in the finding.

Finding 7: Adequate controls over the blank check stock and signature stamp are not in place.

Chapter 2, *Internal Controls*, of the County's ICCM, page 2-3 states that access to and use of valuable assets should be controlled. The assets include negotiable instruments such as blank checks.

The Sheriff's Custody Specialist (SCS) will issue a check to the inmate for any amount in excess of \$40 when the inmate has a cash balance at the time of their release. The SCS uses a signature stamp on the signature line when the check is prepared. The blank check stock and signature stamp are kept together in an unsecured drawer to which all employees working in the unit have access.

Management was unaware of the County's ICCM guidelines for safeguarding blank checks and the signature stamp. The employees in the unit can obtain the blank checks and signature stamp and prepare fraudulent checks without the proper security controls in place.

Recommendation:

We recommend management establish and implement physical controls over the blank checks and signature stamp used for processing inmate releases. The signature stamp should be secured separately from the blank check stock. Furthermore, the controls should require key access to where the blank checks and signature stamp are stored. Additionally, the key access should be restricted to the staff responsible for processing inmate releases.

Management's Response:

The checks and stamps are now secured at all the facilities. Separation of the checks and stamps is being reviewed (personnel).



Auditor's Response:

The Department has implemented actions that will correct the deficiency noted in the finding.

Finding 8: Adjustments to inmate accounts should be approved.

According to Chapter 2, *Internal Controls*, of the County's ICCM on page 2-3, all transactions should be properly authorized. Authorization should take place at all levels of the organization and can apply either to a group of transactions or a specific transaction.

Family and friends make cash deposits on the inmate's account at the Civilian Information window located in the detention center. The Sheriff's Custody Assistants process the cash deposits by accessing the inmate's account in JIMS and entering the amount of the deposit accordingly. Occasionally, the Sheriff's Custody Assistants will enter the incorrect deposit amount on the inmate's account. The Fiscal Assistant in the Fiscal Services Unit encounters the error while reconciling the cash deposits from the previous day and makes the appropriate adjustment to the inmate's account. However, the Fiscal Assistant does not obtain the necessary approval from a higher authority (i.e., sergeant, lieutenant, or captain) before processing account adjustments. Furthermore, the Sheriff's Custody Assistants causing the accounting errors are never informed of their mistakes.

Management was unaware of the County's ICCM policy regarding proper authorization. Lack of authorization provides employees with the opportunity to misappropriate cash assets and increases the risk of potential theft and error.

Recommendation:

We recommend management develop and implement formal policies and procedures to specifically include the approval of inmate account adjustments. Personnel with approving authority should have a thorough understanding of the purpose of an account adjustment to ensure it is reasonable. Additionally, management should develop a monitoring protocol that includes routine reviews of selected transactions to determine if any unauthorized adjustments have occurred on inmate accounts. Management should also inform staff when mistakes are made and provide remedial training as necessary.



Management's Response:

Agree. Policy for supervisor's approval is being reviewed.

Auditor's Response:

The Department's planned actions will correct the deficiency noted in the finding.

Finding 9: Inmate noncash property needs to be properly safeguarded.

Chapter 2, *Internal Controls*, of the County's ICCM, page 2-3 states that access to and use of valuable assets should be controlled.

As a part of the booking process, the Sheriff's Custody Specialist and the arresting officer inventory all property items including cash assets. The property items are listed as line items on the JIMS property receipt form. The inmate's personal property, excluding cash, and the property receipt form are placed in a clear plastic bag and sealed with a heat sealing device. The property is to remain sealed and stored in the property room until the inmate is released. However, there was an additional sealing device that is used in the property storage room, providing opportunities to reseal property bags that have been opened without proper authorization.

Management did not realize that maintaining a heat sealing device in the property storage room provided an opportunity for potential theft. Not restricting the use of security devices, such as sealing equipment, to the initial intake process provides employees with the opportunity to misappropriate inmate assets.

Recommendation:

We recommend management restrict the use of sealing devices to the initial intake process area. Management should regularly inspect the inmate property storage area to verify that unauthorized equipment is not present.

Management's Response:

Heat sealing device was removed from the Property Room and secured in another location.



Auditor's Response:

The Department has implemented actions that will correct the deficiency noted in the finding.