

County of San Bernardino

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

Sheriff's Department:

**Inmate Personal Property Accounting
Follow-up Audit**



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SUBJECT: INMATE PERSONAL PROPERTY ACCOUNTING FOLLOW-UP 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 a follow-up audit of the Sheriff's Department for the period of June 26, 2016 through July 26, 2016. The objective of the audit was to determine if the recommendations for the findings reported in June 24, 2014 audit of the inmate personal property accounting have been implemented. 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 have provided a status of the audit findings identified in the original audit report issued on June 24, 2014. Of the 9 recommendations from the original audit report, 2 have been implemented and 7 have not been implemented.

As discussed in Finding 3, the Department has not reconciled the total of the individual inmate cash balances to the cash balance in the bank account. Without 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.

We sent a draft report to the Department on November 29, 2016. The Department's responses to the current status of 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,

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Auditor-Controller/Treasurer/Tax Collector
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Sheriff's Department: Inmate Personal Property Accounting Follow-up Audit

Scope, Objective, and Methodology **1**

**Prior Audit Findings, Recommendations, and
Current Status** **2**



Scope and Objective

Our audit examined the Department's booking and release process as it relates to inmate property for the period June 26, 2016 through July 26, 2016. We conducted our fieldwork at the West Valley Detention Center (Rancho Cucamonga) and Central Detention Center (San Bernardino).

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Sheriff's Inmate Personal Property Accounting Audit*, issued on June 24, 2014.

Methodology

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

- Interviewing Department management and personnel that were directly involved in the booking and release process.
- Observing Department personnel perform their respective job functions.
- Reviewing inmate trust accounts and other relevant financial information.



Administration

Prior 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.



Current Status: Not Implemented

The cash collection records provided evidence that the collection days for the armored truck transport services were not increased to 5 days a week (Monday through Friday). Additionally, the safe combinations were not changed when personnel changes occurred nor are they being changed on an annual basis.

Management's Response:

Armored truck transport services have been increased from 3 days to 5 days, Monday-Friday. The combinations of the safes are being changed on at least an annual basis, if not bi-annually. The fiscal services clerk has the combination and the supervisor is given the combination in a sealed envelope that is locked in the supervisor's desk (in case of emergency). In addition to the regular changing of the combination, at those times where a fiscal services clerk is transferred, separates from the department, or there are any other circumstances where the integrity of the combination is in question, the combination will also be changed.

Auditor's Response:

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

Prior 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.

Current Status: Not Implemented

The Department has not transferred any unclaimed funds to the general fund since our original report was issued on June 24, 2014. Additionally, the Department has not amended their policies to include procedures for processing unclaimed funds.

Management's Response:

The unclaimed funds are now being transferred to the general fund. The Detentions and Corrections policy manual has been updated to reflect this change. Inmates who are released from custody with a balance owed are sent a letter advising of the option to receive the check in person or have it mailed to them. In the case of an inmate death, the notice is sent to the inmate's last known next of kin. If the notification letter is returned to sender, the letter is placed in an unclaimed inmate fund file at the facility. No letters or notification are sent to persons when the cost of the letter exceeds the amount of money left on the account.

A Fiscal Clerk Supervisor reviews the Abandoned Funds Computer Program 120 days after the notice has been sent to the inmates last known address for the unclaimed funds. All inmates who did not receive their funds are listed on a Department Memorandum and the total amount from all of the inmate's trust accounts will be totaled and a check with the total sum is issued to the Bureau of Administration for distribution to the General Fund.



Auditor's Response:

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

Prior 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.



Current Status: Not Implemented

The Department did not modify the Jail Information Management System (JIMS) so that JIMS produces individual inmate account information, such as beginning balances, receipts, disbursements, and ending balances. Furthermore, management has not pursued any other alternatives to ensure there is a detailed report of inmate account balances for bank reconciliation purposes. 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.

Management's Response:

We concur with your recommendation, however, the JIMS system is a very old system and making adjustments to it can be quite a challenge. However, we have requested the Auditor Controller's Office to initiate an audit of this inmate bank account, one of the primary purpose of which is to review the current procedures, recommend improvements to the procedures and processes, and assist the department in either designing a new report to allow us to reconcile the bank account to JIMS or design alternate procedures to effect the same reconciliation.

Auditor's Response:

The Internal Audits Section (IAS) of the Auditor-Controller's Office is currently conducting a review of the Sheriff's Inmates' Property Trust Fund. The review includes, but not limited to, exploring the potential opportunities for producing inmate reports in JIMS in which to provide a more precise reconciliation of the inmate trust bank account. If it is determined that system limitations will prohibit the Department from producing specific inmate reports, then IAS will provide assistance with developing alternative procedures for the bank reconciliation.

Prior 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.

Current Status: Not Implemented

Management did not establish a policy that specifically instructs Department personnel to separate the duties of preparing, signing, and recording of checks. Furthermore, the duties of preparing, signing, and recording check information in JIMS have not been segregated amongst department personnel.

Management's Response:

The Sheriff's Custody Specialist (SCS) prepares the check and records it (automatically records it in the ledger in the computer, Quickbooks). Then the SCS brings the check to the watch commander who reviews the check and the amount to be issued generated by JIMSnet. Once it is reviewed and is approved, the watch commander stamps the check and initials the paper showing the inmates balance. Fiscal printouts the Quickbooks ledger every morning to ensure the proper amount of money was released to the inmates.

Auditor's Response:

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

West Valley Detention Center

Prior 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.

Current Status: Implemented

We observed the booking staff placing the inmates' cash assets in the designated lockbox after each booking transaction. Also, employees are now instructed on the proper procedures for securing the inmates' cash assets during the new-hire training.

Prior 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.

Current Status: Implemented

The Fiscal Services Unit (Unit) has discontinued the process of collecting civilian deposits. The Department has installed kiosks in lobbies of the detention facilities. Cash can now be deposited into inmate accounts directly through the kiosk machine. Therefore, the additional staffing for ensuring adequate coverage is no longer operationally necessary.

Prior 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.

Current Status: Not Implemented

During our assessment of the controls over the blank check stock and signature stamp, we noted that they were still kept together in an unsecured drawer or cabinet. We further noted that the employees working in the immediate area had full access to the blank checks and signature stamp.

Management's Response:

Detentions and Corrections Policy has been updated. In some incidents, inmates being released will be issued a check. The check being issued will require the use of a signature stamp. The signature stamp is now secured separately from the blank checks. A key is required to access the signature stamp and blank checks and key access is restricted to authorized staff only.

Auditor's Response:

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

Prior 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.

Current Status: Not Implemented

Department personnel continue to perform inmate account adjustments without obtaining the higher level of approval. Furthermore, management has not established any policies and procedures directly related to the approval of inmate account adjustments.

Management's Response:

Policies are being drafted to ensure the fiscal supervisor will document the appropriate reason for the adjustment, the date and time of the adjustment, and the supervisor's initials. They will be provided with an adequate reason for the adjustment, to be noted in the documentation. The accounts are reviewed by the Fiscal Supervisor, as well as the Fiscal Accountant, after the adjustment has been made to ensure that no errors have been made. Detentions and Bureau policies are in the process of being written and updated to document and regulate the process in response to the auditor's report / concerns.



Auditor's Response:

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

Prior 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.

Current Status: Not Implemented

The heat sealing device still remains in the property room at the West Valley Detention Center.



Management's Response:

The heat sealer in the property room is there due to the necessity of being able to reseal property bags after they have been opened in response to a search warrant or other legal means. They are only opened in the presence of a supervisor and are resealed in the presence of a supervisor. There is a facility need and justification for the sealers to be in the property room.

Auditor's Response:

The Department is accepting all potential risks associated with not implementing the recommended corrective actions.