

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Sheriff's Department: Inmate Property Trust Fund Review



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May 11, 2018

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SUBJECT: INMATE PROPERTY TRUST FUND REVIEW

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 review of the Sheriff Department's Inmate Property Trust Fund for the period of January 1, 2016 through December 31, 2016. The primary objective of the review was to determine if internal controls over the Inmate Property Trust Fund were effective. We conducted our review 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 Review Findings and Recommendations section of this report.

We sent a draft report to the Department on February 13, 2018 and discussed our observations with management on February 22, 2018. 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,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

A black rectangular redaction box covering the signature of Denise Mejico.

Denise Mejico

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Sheriff's Department: Inmate Property Trust Fund Review

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Summary of Review Results

Our findings and recommendations are provided to assist management in achieving compliance with the San Bernardino County Internal Controls and Cash Manual.

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

Finding No.	Findings and Recommendations	Page No.
1	Bank depositing procedures need improvement.	7
	Deposits should be verified by a supervisor and made in a timely manner.	
2	Cash controls need improvement.	8
	Adjustments to inmate accounts should be approved by a supervisor or manager. Cash and checks should be physically safeguarded. Two or more persons should be present when opening mail.	
3	The welfare bags account balance has not been reconciled as of January 31, 2016.	10
	The Department should implement a well-organized accounting system that will produce an audit trail, assisting in preventing and detecting any future reconciliation issues.	
4	Abandoned funds need to be transferred to the County General Fund in accordance with California Government Code 26642.	11
	The Department should transfer the \$119,397.56 to the County General Fund immediately, and thereafter transfer abandoned funds at least annually. The Department should also update their practices to comply with the Government Code.	



Inmate Property Trust Fund

The Sheriff of San Bernardino County has a legal obligation to care for persons held in county custody. To fulfill that obligation, the Sheriff operates a system of four Type II detention facilities throughout the county, with a combined average daily population exceeding 6,000.

In addition to booking, classifying, housing, and releasing approximately 100,000 inmates per year, San Bernardino County detention centers staff provides a wide array of quality services including health care, mental health care, dietary needs, counseling, recreation, religious education and job training services.

When arrested individuals arrive at the jail facility, they go through the intake process before being housed. This process usually takes several hours and includes a medical screening, booking process, and classification interview. Booking officers are required to inventory the arrestee's personal property and heat seal it into a bag. Inmate's personal property and clothing are stored together. The inmate is able to view the inventory and sign the inventory list. After the inmate's cash has been accepted, it is placed in an account available to the inmate for commissary and other purposes.

When an individual is booked into the facility, an account is opened to safeguard that person's money as long as the inmate remains in custody. While in custody, the inmate can use the account to make purchases from the commissary, make medical copayments, ID Card replacements and in the case of indigent inmates, purchase predetermined basic items regardless of their balance, which would accrue a negative balance. Some food and snack items, pre-paid telephone time, toiletry articles, writing materials, and postage are available. Although the Sheriff's Department provides for all basic nutrition and hygiene needs, permitting inmates to purchase items from the commissary allows a level of variety not otherwise available to them.

Inmates receive basic hygiene items, which cost a nominal fee, when first entering Sheriff's custody. If the inmate has no money in his/her account, the inmate can continue purchasing hygiene items. This charge will be deducted from the inmate's account when money is placed on the inmate's books. The inmate may choose to purchase additional items through the facility commissary.

In order to allow inmates continued access to commissary during their incarceration, funds may be added to their accounts at any time. Cash deposits may be made to an inmate's account at the Sheriff's detention center where the inmate is housed. Cashier's checks and money orders may be deposited to the inmate's account through the mail.

Background



Inmates may release money or property to a family member by completing a Property/Money Release Form. All unused funds, as well as all items stored in property, are returned to the inmate at the time of release from custody.



Scope

Our review examined the Sheriff's Inmate Property Trust Fund for the period of January 1, 2016 through December 31, 2016.

Methodology

In achieving the review objectives, the following review procedures were performed, including but not limited to:

- Review of legislation and policies and procedures related to the Inmate Property Trust Fund.
- Interviews of Department management and personnel involved with the Inmate Property Trust Fund.
- Observation of cash handling practices at various facilities.
- Sampling of Inmate Property Trust Fund transactions.
- Review of supporting documents related to the Inmate Property Trust Fund retained by the Sheriff's Department.



Objective 1: Reconcile the Inmate Property Trust Fund to the Jail Information Management System.

We obtained and reviewed a reconciliation of the Inmate Property Trust Fund prepared by the Sheriff's Department. IAS found that all material accounts are supported with the exception of the welfare bags account. In addition to the amount owed to the Inmate Welfare Fund for welfare bags, the welfare bags account is used to capture overages, shortages, errors and timing adjustments. Since there are multiple data sources used to prepare the monthly reconciliations, the source(s) of the variance are not reasonably ascertainable.

A double entry bookkeeping system would be the ideal mechanism to detect and/or prevent issues of this nature in the future. The Department has contracted with Aramark Correctional Services, LLC (Contractor) to provide commissary services. The contract requires the Contractor to provide all software for a computerized Inmate Banking software application. The application is required to keep accurate and complete records of all commissary activity and balances of individual Inmate Trust Accounts. Further, the Contractor's system is required to conform to general accounting principles, such that each transaction must process a debit and credit to the appropriate general ledger accounts. The contract was approved by the Board of Supervisors on December 6, 2016.

Objective 2: Identify Abandoned Funds to be transferred to the County General Fund.

California Government Code Section 26642 sets forth the timeframes under which money from the Inmate Property Trust Fund may be transferred to the County General Fund. To ensure compliance with this legislation, we recommend the Sheriff's Department to promptly notify all appropriate persons of abandoned funds and maintain records of the dates that notifications are sent. Transfers of abandoned funds from the Inmate Property Trust Fund to the County General Fund should occur no sooner than one year from the date notification is sent.

Assuming that all abandoned funds originated as the result of arrestees being released from custody, we have identified abandoned funds totaling \$119,397.56 that should be transferred to the County General Fund. This is the amount that is present on the December 31, 2016 Balance Sheet (Reconciliation), and includes amounts accruing from July 2013.



Objective 3: Evaluate Department cash handling procedures and determine the effectiveness of such procedures.

Cash handling processes were observed at High Desert Detention Center, Central Detention Center, and West Valley Detention Center. See the Findings and Recommendations section of this report for areas of improvement.

Objective 4: Determine if controls are in place and effective for the Inmate Property Trust Fund based on the County Internal Controls and Cash Manual.

See the Findings and Recommendations section of this report for areas of improvement.



Finding 1: Bank depositing procedures need improvement.

The San Bernardino County Internal Controls and Cash Manual (ICCM) Chapter 9 states that supervisors must verify that deposits are intact, and that deposits must consist of the same currency, checks, and/or money orders that were originally collected. It further states that deposits must be made by the next business day when the amount of receipts reaches \$1,000 in cash or coin.

The following conditions were noted:

- There is no supervisor review of deposits at West Valley Detention Center (WVDC).
- High Desert Detention Center (HDDC) and Central Detention Center (CDC) withhold cash collected from daily deposits to replenish their cash drawers.
- Cash deposits were not made in a timely manner. 3 out of 7 tested transactions were not deposited in accordance with the ICCM's depositing procedures. Two of the deposits originated at HDDC and one originated at CDC.

Limited staff and budget have resulted in difficulty complying with the guidelines stated in the ICCM. However, adherence to the ICCM is critical to reducing the risk of undetected errors and potential theft.

Recommendation:

We recommend that all facilities have a supervisor verify the deposits before they are collected by Brink's, their secure transportation service provider. The facilities should also consider implementing the change delivery service offered by Brink's in order to replenish their cash release drawers. We further recommend that the Department consider increasing the frequency of deposit pick-ups by Brink's.

Management's Response:

- **Supervisor Review:** The Watch Commander acts as the overall supervisor for the facility, and responds to all administrative and operational issues occurring during the entire shift. Obtaining approval from the Watch Commander does not effectively eliminate or minimize risk and can create operational delays in matter that needed immediate attention. The Department proposes to implement enhancement to compensating controls as follows:
 - Cash is counted by two people and verified against JIMS daily.
 - Copies of the deposit slips and the JIMS daily recap are submitted to Inmate Services Unit for further verification and reconciliation with the bank account activities.



- **Daily Deposits** – Brink’s pickup will be increased to five days a week from three days a week.
- The facilities will set up a change delivery service, as recommended.
- **Timeliness of Cash Deposits:**
 - The department accepts the auditor’s recommendations and will strive to make deposits in a timely manner, unless there are any extenuating circumstances, in which case, the sealed deposit bags will be kept in the facility safe, until picked up by Brink’s.
 - Funds received during the weekend and after business hours on Friday will be deposited the following business day.

Auditor’s Response:

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

Finding 2: Cash controls need improvement.

Chapter 2 of the County’s ICCM states that access to and use of valuable assets should be controlled. Assets include negotiable instruments such as blank checks. Chapter 3 states that Departments must not make adjustments to customers’ ledger accounts without approval by the department head or authorized designee. Chapter 6 states that two or more employees should be present when mail is opened.

The following conditions were noted:

- Employees have the ability to make adjustments to inmates’ accounts without supervisor or manager authorization at WVDC and CDC.
- Unauthorized persons had access to checks that were pre-loaded into a printer at WVDC.
- The Custody Assistant is the only one present when mail is opened at CDC.

Limited staff and budget have resulted in difficulty complying with the guidelines stated in the ICCM. Inadequate controls provide the opportunity to misappropriate cash, increasing the risk of undetected errors and potential theft.

Recommendation:

We recommend that all adjustments to inmate accounts receive prior supervisor or manager approval. We further recommend that checks be physically



safeguarded to prevent access by unauthorized persons. Additionally, two or more employees should be present when opening mail.

Management's Response:

- **Adjustments to inmate's accounts.** Adjustments are verified against receipts daily. Any discrepancies are identified immediately by fiscal staff. In the future, a list of these types of transactions/adjustments will be submitted to the Watch Commander for approval per shift.
- **Access to blank checks.** Blank checks are kept at the Inmate Release area to facilitate releases occurring 24 hours daily. However, there are compensating controls in place to mitigate potential risks, as follows:
 - The Department has a "Positive Pay" arrangement with the bank wherein a list of checks issued, including the check number and amount of the check is sent to the bank the next business day. The bank only honors the check if it matches the list, otherwise, they call the facilities to confirm the check and obtain an approval to honor the check.
 - A list of all checks issued are submitted to the fiscal office daily, and reconciled to the list of inmates released through JIMS.
- **Opening of incoming mail at CDC.** Staffing and space limitations preclude the assignment of a second person to observe the processing of incoming mail. However, compensating controls are in place to mitigate the risk of mishandling of cash, checks and other negotiable instruments received in the mail, as follows:
 - Funds received in the mail are immediately recorded into the inmate's account in JIMS.
 - Inmates have real-time access to their fund balance in the system, and are required to have funds in their individual accounts to place a commissary order, and immediately inform staff if the funds they are expecting to receive are not yet reflected in that account,
 - A list of all checks, money orders and very infrequently, cash is submitted to the fiscal office daily for verification and deposit.
 - An endorsement stamp will be provided to the mailroom staff so checks and money orders are stamped for deposit as soon as received.

Auditor's Response:

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



Finding 3: The welfare bags account balance has not been reconciled as of January 31, 2016.

Chapter 2 of the ICCM states that all transactions and pertinent events should be accurately and properly recorded on documents and records. Sufficient and relevant data should be recorded to provide an audit trail and to document evidence that a transaction took place. In addition, audit trails allow an independent person to validate a specific transaction.

The Welfare Bags account balance not only contains amounts owed to the Inmate Welfare Fund, it is also used to capture overages, shortages, errors and timing adjustments.

The Department uses multiple reports and data sources to prepare monthly reconciliations instead of using a centralized accounting system. As a result, independent validation of specific transactions is difficult due to the absence of an audit trail.

Recommendation:

We recommend that the Department implement a well-organized accounting system that will produce an audit trail to assist in preventing and detecting any future reconciliation issues. We also recommend that the Department reconcile the Welfare Bags account balance to determine the amount that should be transferred to the Inmate Welfare Fund specifically for welfare bags. The Department should determine the appropriate disposition of the remainder of the balance and refrain from capturing amounts other than those payable to the Inmate Welfare Fund for Welfare Bags in the future.

Management's Response:

The practice of capturing overages, shortages, errors and timing adjustments within the Welfare Bags account will cease immediately.

New procedures for accounting and inventory of welfare bags are being developed and will be submitted to the Auditor Controller's Office for review prior to implementation.

Auditor's Response:

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



Finding 4: Abandoned funds need to be transferred to the County General Fund.

California Government Code Section 26642 states that 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 is not in compliance with the government code because notices to inmates' last known addresses or next of kin are not sent on a regular basis. Additionally, the Department is not transferring funds into the general fund. We determined that the December 31, 2016 balance sheet contains a payable amount to the general fund of \$119,397.56 for abandoned funds.

Recommendation:

We recommend that the Department immediately transfer the \$119,397.56 to the County General Fund. We further recommend that abandoned funds be transferred to the County General Fund on an annual basis. In addition, the Department should update their practices to comply with the California Government Code 26642.

Management's Response:

The Department will comply with the recommendation and immediately transfer \$119,397.56 to the County General Fund.

Auditor's Response:

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