

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT JAIL INDUSTRIES TRUST FUND PERFORMANCE AUDIT

SHERIFF'S OFFICE



Audit Committee Submittal Date: 01/24/2022

SUMMARY

Background

The Sacramento County Sheriff's Office (Sheriff)'s Jail Industries Trust Fund (Trust Fund) is operated at the Rio Cosumnes Correctional Center and is designed to provide skill training to the inmates while simultaneously producing goods for government agencies and non-profit organizations. The program is self-sufficient and inmates who successfully complete the training are awarded a certificate of completion that outlines the level of competency they have achieved.

Jail Industries Trust Fund was established in the County Treasury to account for all revenues and expenditures associated with the operation of the program. County Code Section 2.150.060 requires the County Auditor-Controller to audit such fund on an annual basis.

Audit Objective

To assess whether the Trust Fund's transactions recorded in the Sacramento County Accounting System (a.k.a COMPASS) were appropriate and to verify the adequacy of the Sheriff's internal controls over the Trust Fund's financial activities.

Summary

Based on our audit, we determined the Trust Fund's financial transactions recorded in COMPASS were for the operation of the Trust Fund and the Sheriff's internal controls over recording the Trust Fund's financial activities in the Sheriff's accounting system were adequate.

Department of Finance
Ben Lamera
Director



Auditor-Controller Division
Joyce Renison
Assistant Auditor-Controller

County of Sacramento

December 16, 2021

Scott Jones, Sheriff
Sheriff's Office
711 G Street
Sacramento, California 95814

Dear Sheriff Jones:

We have audited Sheriff's Office (Sheriff)'s Jail Industries Trust Fund (Trust Fund), as required by County Code Section 2.150.060 for the period July 1, 2020 to June 30, 2021.

Our audit was conducted to assess whether the Jail Industries Program (Program)'s financial transactions recorded in the Sacramento County Accounting System (a.k.a COMPASS) were for the operation of the Program and the Sheriff had sufficient internal controls over recording financial activities.

Management is responsible for the design, implementation and maintenance of effective internal controls to ensure compliance with all applicable laws, regulations and statutory requirements.

The scope of our audit included internal control activities, policies and procedures, and financial transactions from July 1, 2020 to June 30, 2021.

We performed our procedures remotely working with Sheriff's Rio Cosumnes Correctional Center fiscal staff. The audit methodology utilized to conduct this performance audit included:

1. Internal Control – We reviewed and evaluated Sheriff's written internal control policies and procedures for invoicing, deposits, purchasing, payment processing, general ledger, cost allocation, capital assets, financial reporting and cash handling. We compared the policies and procedures to the results of our procedure numbers 3, 4, 5, 6, and 7.
2. Cost Allocation – We obtained Sheriff's written cost allocation policy, procedures and methodologies including the cost allocation worksheets and supporting data. We compared the policy, procedures and methodologies to the results of our procedure numbers 3 and 4.

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Sheriff's Office
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3. Revenues – We obtained the detailed revenue ledger for the Trust Fund that reported \$222,013 for the period. We tested \$48,915, or 22%, of the program revenue for compliance. We traced the transactions to the supporting documentation such as invoices, receipts and journal entries. We also tested the amount of sales tax recorded on taxable sales. We did not note any incidents of non-compliance from our testing performed. See Schedule I, *Summary of Revenues, Expenses and Capital Assets*.
4. Expenditures – We obtained the detailed expenditure ledger for the Trust Fund that reported \$221,320 for the period. We tested \$39,013, or 18%, of the program expenditure for compliance. We traced the transactions to the supporting documentation such as invoices, receipts, journal entries and the cost allocation calculation. We did not note any incidents of non-compliance from our testing performed. See Schedule I, *Summary of Revenues, Expenses and Capital Assets*.
5. Capital Assets – We obtained a capital asset listing for the Trust Fund and traced the acquisition amounts of the capital assets to COMPASS. We noted no additions or deletions to the Trust Fund's capital assets during the period under audit. We traced the capital assets from Trust Fund's fixed asset inventory list and confirmed they are still in use. From our procedures performed, we did not note any non-compliance with Program and County policies and procedures. See Schedule I, *Summary of Revenues, Expenses and Capital Assets* for the Program's capital asset acquisition value, accumulated depreciation and book value as of June 30, 2021.
6. Accounting and Reporting – We inspected the Sheriff's accounting and reporting activities in COMPASS to verify the Trust Fund has a separate account in its accounting system to account for all financial activities of the Trust Fund exclusively and to identify any non-compliance with Sheriff and County policies and procedures. During Fiscal Year 2020-21, County Counsel determined Jail Industries Trust Fund fell under the provisions of the County Budget Act and the expenditures had to be budgeted in the general fund and reimbursed from the trust fund. Sheriff determined they needed to budget both the expenditure and revenue in an account that has appropriation authority from the Board of Supervisors. Beginning in Fiscal Year 2021-22, the Sheriff's Office budgeted expenditures and revenues in the general fund and moved monies from the trust fund each year to cover the expenditures.
7. Imprest Cash – We reviewed the Sheriff's general ledger and inquired the Sheriff's management regarding the Trust Fund's imprest cash. Based on our procedures performed, we noted the Trust Fund did not have any imprest cash.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, except for paragraph 3.56 regarding our independence as described below. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based

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on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing and financial reporting functions. These activities, in themselves, necessarily impair *Generally Accepted Government Auditing Standards'* independence standards. Specifically, auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the Director of Finance is statutorily obligated to maintain the Trust Fund, the staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility regarding the internal control or compliance of the Trust Fund or the accounts or records being audited including the approval or posting of financial transactions, which would, therefore, enable the reader of this report to rely on the information contained herein.

Based on our audit, we determined the Trust Fund's financial transactions recorded in COMPASS were for the operation of the Trust Fund and the Sheriff's internal controls over recording financial activities in the Trust Fund's accounting system were proper.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive and Sheriff's management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE

By: Ross McCarthy, CPA
Senior Audit Manager



Enclosures:

Schedule I, *Summary of Revenues, Expenses and Capital Assets*

County of Sacramento
 Sheriff's Department
 Jail Industries Trust Fund Performance Audit
 Summary of Revenues, Expenses and Capital Assets
 July 1, 2020 through June 30, 2021

	<u>Amount Per General Ledger</u>	<u>Adjustment</u>	<u>Amount Adjusted</u>
Revenues			
Program Revenue	\$ 220,242 ⁽¹⁾		220,242
Interest Income	1,771		1,771
Total Revenues	<u>222,013</u>		<u>222,013</u>
Expenses			
Countywide Cost Allocation	13,865		13,865
Other Operating Expenses	207,455		207,455
Total Expenses	<u>221,320</u>		<u>221,320</u>
Operating Income (Loss)	<u>\$ 693</u>		<u>693</u>
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Capital Assets as of June 30, 2021	<u>\$ 92,722</u>	<u>92,722</u>	

⁽¹⁾ Amount includes Fiscal Year 2019-20 revenues posted in Fiscal Year 2020-21 in the prior year revenue account in the amount of \$11,414.