

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
November 15, 2016
“*Communications Received and Filed*” Item

To: Board of Supervisors
From: Department of Finance
Subject: Sacramento County Sheriff’s Department Jail Industry Trust Fund Program
Review – For The Period July 1, 2012 To June 30, 2015
Supervisory District: All
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7428

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Sacramento County Sheriff’s Department Jail Industry Trust Fund Program Review – For The Period July 1, 2012 To June 30, 2015*.

Respectively submitted,

Ben Lamera
Director of Finance

Attachment 1: Sacramento County Sheriff’s Department Jail Industry Trust Fund Program
Review – For The Period July 1, 2012 To June 30, 2015

**COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER**

Inter-Departmental Correspondence

October 13, 2016

To: Scott Jones
Sheriff

From: Ben Lamera
Director of Finance

By: Hong Lun (Andy) Yu, C.P.A. 
Audit Manager

Subject: **SACRAMENTO COUNTY SHERIFF'S DEPARTMENT JAIL INDUSTRY
TRUST FUND PROGRAM REVIEW – FOR THE PERIODS JULY 1, 2012
THROUGH JUNE 30, 2015**

We have performed the procedures enumerated below, as required by County Code Section 2.150.060, for the Sacramento County Sheriff's Department (Sheriff) Jail Industry Trust Fund Program (Program), for the periods July 1, 2012 through June 30, 2015. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below and on the next page either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred to below and on the next page and is not intended to pertain to any of Sheriff's other operations, procedures, or compliance with laws and regulations. The procedures we performed are summarized as follows:

- Internal Control: We reviewed the Program's internal control policies and procedures including Invoicing and Accounts Receivable, Deposits, Purchasing, Payment Processing, Cost Allocation, Capital Assets, and Financial Report Preparation.

Finding: We noted two concerns. See Attachment I, *Findings and Recommendations*.

- Review of Revenue: We reviewed the revenue ledger detail for the Program. We selected a sample of 45 transactions from the ledger. We traced the transactions to supporting documentation.

Finding: We did not note any exceptions as a result of our procedures. See Schedule I, *Summary of Revenues and Expenses*.

- Review of Expenditures: We reviewed the expenditure ledger detail for the Program. We selected a sample of 45 transactions from the ledger. We traced the transactions to supporting documentation. We also tested to verify the transactions were used for the Program.

Finding: We did not note any exceptions as a result of our procedures. See Schedule I, *Summary of Revenues and Expenses*.

- Review of Capital Assets: We reviewed the capital asset record for the Program. We selected a sample of five capital assets from the record. We traced these assets to the physical asset. We also recalculated the accumulated depreciation reported and verified the assets were used for Program.

Finding: We did not note any exceptions as a result of our procedures.

- Accounting and Reporting: We verified the Program has a separate accounting system to account for all financial activities of the Program exclusively.

Finding: We did not note any exceptions as a result of our procedures.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on the Program's cash balances, financial schedules, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. This report relates only to the review of the Program, and does not extend to the Sheriff's operations as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Sheriff's response to the findings identified during our engagement is described in Attachment I, *Findings and Recommendations*. We did not perform procedures to validate Sheriff's response to the findings and, accordingly, we do not express an opinion on the response to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, and Sheriff's management. It is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachments

Schedule I: *Summary of Revenues and Expenses*
Attachment I: *Findings and Recommendations*

cc: Members, Sacramento County Board of Supervisors
Assistant County Executive
David Villanueva, Chief Deputy County Executive
Britt Ferguson, Chief Financial Officer
Anita Peden, Chief of Department Administrative Services, Sheriff's Department
Raylene Cully, Commander/Lieutenant, Reentry Services Bureau, Sheriff's Department

County of Sacramento
 Sheriff's Department
 Jail Industry Program
 Summary of Revenues and Expenses
 For the Periods July 1, 2012, through June 30, 2015

	General Ledgers		
	FY 12-13	FY 13-14	FY 14-15
Revenues			
Program Revenue	\$ 115,532	75,875	191,047
Prior Year Revenue	1,714	667	16,995
Interest Income	355	101	266
Total Revenues	\$ 117,601	76,643	208,308
Expenses			
County Wide Cost Allocation	1,492	1,688	2,201
Equipment-Property Expenditure		7,520	53,758 ⁽¹⁾
Landline Charges		562	275
Office Supplies	304	74	
Other Equipment Maintenance Supplies	32,141	75,157	130,299
Other Professional Services	59,499	4,271	
Other Taxes	745		
Postal Service	88	40	
Printing Services		36	
Shop Equipment Maintenance Supplies	7,271		
Telephone Services	650	109	
Total Expenses	\$ 102,190	89,457	186,533
Operating Income (Loss)	\$ 15,411	(12,814)	21,775

⁽¹⁾ Amount includes (\$34,448) in prior year adjustments to an asset for capital improvements.

County of Sacramento
Sheriff's Department
Jail Industry Program
Findings and Recommendations
For the Periods July 1, 2012 through June 30, 2015

1. Written Internal Control Policies and Procedures

Comment

During our review, we noted the Sacramento County (County) Sheriff's Department (Sheriff) Jail Industry Program (Program) did not have written internal control policies and procedures for all of its daily operations. The Program is following the Sheriff's Cash Handling Procedures General Order (General Order) for handling of cash receipts and the County's Introduction to Contract and Purchasing Services Division guide (County Purchasing Guide), but the General Order does not include procedures for non-cash handling duties such as invoicing, cost allocation, capital assets, and financial reporting. Lack of written internal control policies and procedures could weaken the Program's internal controls by creating confusion and inconsistency. Therefore, assets could be mishandled or misappropriated without being detected in a timely manner.

Recommendation

We recommend the Sheriff develop and implement written internal control policies and procedures for the Program's daily operations including invoicing, cost allocation, capital assets, and financial reporting.

Sheriff Management's Response

At this time, the RCCC Jail Industries Program has written duties and assignments of the Sheriff Records Officer I (SRO I), the Program Instructor, the Administrative Services Officer II (ASO II), and Deputy. Additional written internal control policies for daily operations are being developed and will be implemented as soon as possible, including invoicing, cost allocation, capital assets, and financial reporting.

2. Improper Separation of Duties

Comment

During our review of the Program's cash handling and financial reporting internal controls, we noted the following concerns:

- I. An ASO II that accepts customer payments, including credit card payments, also reconciles the monthly credit card statements.
- II. We also noted the same ASO II that accepts customer payments corrects and posts journal entries to the Program's general ledger.

County of Sacramento
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The General Order in place at the Sheriff states:

"Handling of cash will be kept separate from the recording of transactions... Monthly bank reconciliations will be prepared by employees not responsible for the issuance or custody of cash..."

Proper internal controls and the General Order indicate that separation of duties should be implemented in the Program's daily financial operations. Customer payments, deposits, and credit card receipts should be reconciled by an individual unrelated to cashiering in a timely manner.

Furthermore, general ledger postings and adjustments should be completed by a supervisor or manager that has no cashiering responsibilities.

By not enforcing proper separation of duties, theft or misappropriation of funds and other assets could occur and not be detected in a timely manner.

Recommendation

We recommend the Sheriff enforce its General Order by maintaining proper separation of duties for the Program. We also recommend the Sheriff implement the recommendation noted in Finding Number 1 of this attachment.

Sheriff Management's Response

Regarding separation of duties, there are a few discrepancies in the Audit findings to the current Jail Industries Program's cash handling and financial reporting internal controls.

In Part 2, Section I, the discrepancy with current work flow is as follows: The ASO II that accepts the credit card payments and verifies the credit card payments in COMPASS, parks a journal voucher (JV) to divide the payment into the appropriate General Ledger Accounts, and the SRO III posts the revenue to the appropriate accounts such as 5500000 to Sales Tax and 97979000 to Revenue.

To further the separation of duties, the following change to procedure will be made immediately: Only the Administrative staff will accept and log credit card payments. The ASO II will no longer perform cashier duties.

Additionally, in response to Part 2, Section II, to further the separation of duties, the following change to procedure will be made immediately: Only the Administrative staff will accept and log all card payments. The ASO II will no longer perform cashier duties.