

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
July 12, 2016  
“*Communications Received and Filed*” Item

To: Board of Supervisors  
From: Department of Finance  
Subject: Sacramento County Sheriff’s Department, Correctional Services, Main Jail Cash Handling Review – For The Period Of July 1, 2015 To September 30, 2015  
Supervisorial District: All  
Contact: Ben Lamera, Assistant Auditor-Controller, 874-7450

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**RECOMMENDATION**

Receive and file the attached agreed-upon procedures report, *Sacramento County Sheriff’s Department, Correctional Services, Main Jail Cash Handling Review – For The Period Of July 1, 2015 To September 30, 2015.*

Respectively submitted,

**Ben Lamera**  
Interim Director of Finance

Attachment 1: Sacramento County Sheriff’s Department, Correctional Services, Main Jail Cash Handling Review – For The Period Of July 1, 2015 To September 30, 2015

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

*Intra-Departmental Correspondence*

April 25, 2016

To: Ben Lamera  
Interim Director of Finance

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



Subject: **SACRAMENTO COUNTY SHERIFF'S DEPARTMENT, CORRECTIONAL SERVICES, MAIN JAIL CASH HANDLING REVIEW – FOR THE PERIOD OF JULY 1, 2015 TO SEPTEMBER 30, 2015.**

We have performed the procedures enumerated below, which were agreed to by you, for the Sacramento County Sheriff's Department's Correctional Services, Main Jail (Main Jail).

These procedures were performed solely to evaluate the Main Jail's cash handling control procedures for the period of July 1, 2015 to September 30, 2015. Sheriff's management is responsible for maintaining sufficient cash handling controls for its divisions. 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 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 is not intended to pertain to any of Sheriff's other operations, procedures, or compliance with laws and regulations. The procedures we performed for the Main Jail is summarized as follows:

- We reviewed the Main Jail's cash handling procedures.

Finding: We noted concerns related to the Main Jail's cash handling procedures. See Attachment II, *Current Findings and Recommendations*.

- We reconciled daily deposits and cash on hand to the amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).

Finding: The daily deposits and cash on hand were reconciled and agreed to COMPASS. See Attachment I, *Summary of Deposits*.

- We determined the current status of findings and recommendations reported on Main Jail's prior cash handling review report for the months of May 2014 and June 2014, dated January 6, 2015.

Finding: The prior cash handling review report is for both the Main Jail and Rio Consumnes Correctional Center. The current status of the prior findings and recommendations for the Main Jail is at Attachment II, *Current Status of Prior Findings and Recommendations*. The current status of Rio Consumnes Correctional Center's prior findings and recommendations is included in a separate report.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on Sheriff'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 Main Jail's cash handling procedures, and does not extend to 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 responses to the findings identified during our engagement are described in Attachment III, *Current Findings and Recommendations*. We did not perform procedures to validate Sheriff's responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Executive, Sacramento County Treasurer, 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

Attachment I: *Summary of Deposits*

Attachment II: *Current Status of Prior Findings and Recommendations*

Attachment III: *Current Findings and Recommendations*

cc: Members, Board of Supervisors  
Scott Jones, Sheriff  
Navdeep Gill, Interim County Executive  
David Villanueva, Chief Deputy County Executive  
Britt Ferguson, Chief Financial Officer, County Executive Office  
Peggy Marti, Assistant Treasurer, Department of Finance  
Anita Peden, Administrative Services Officer III, Sheriff's Department  
Jim Ortega, Captain/Commander of Main Jail, Sheriff's Department

SACRAMENTO COUNTY SHERIFF'S DEPARTMENT  
CORRECTIONAL SERVICES  
MAIN JAIL  
CASH HANDLING REVIEW  
SUMMARY OF DEPOSITS  
FOR THE PERIOD OF JULY 1, 2015 TO SEPTEMBER 30, 2015

DEPOSITS

<u>Deposit Permit Number</u>	<u>Deposit Date</u>	<u>Sheriff's Deposit Record<sup>(1)</sup></u>	<u>Amount Posted by Treasury<sup>(2)</sup></u>	<u>Variance</u>
1300570977	08/14/2015	\$ 1,032.17	1,032.17	-0-
1300572011	08/18/2015	100,000.00	100,000.00	-0-
1300571680	08/21/2015	284.94	284.94	-0-
1300571850	08/25/2015	1,065.90	1,065.90	-0-
1300572170	08/27/2015	465.63	465.63	-0-
1300573032	09/02/2015	100,000.00	100,000.00	-0-
1300573215	09/04/2015	951,900.00	951,900.00	-0-
1300573217	09/04/2015	32,800.00	32,800.00	-0-
1300573624	09/14/2015	1,906.08	1,906.08	-0-
1300573776	09/15/2015	1,312.32	1,312.32	-0-
1300574490	09/22/2015	466.86	466.86	-0-
1300574931	09/23/2015	130,000.00	130,000.00	-0-
1300574840	09/28/2015	187,432.82	187,432.82	-0-
1300575199	09/28/2015	1,157.22	1,157.22	-0-
1300575903	10/01/2015 <sup>(3)</sup>	50,000.00	50,000.00	-0-

(1) Amounts consist of review of daily receipts of checks, credit cards, and summary reports.

(2) Daily receipts were agreed to amounts reported on the Sacramento County Financial System (a.k.a. COMPASS).

(3) Deposit was made on September 13, 2015 but did not post to County Treasury until October 1, 2015.

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**FROM THE PRIOR CASH HANDLING REVIEW REPORT FOR THE MONTHS OF  
MAY 2014 AND JUNE 2014, DATED JANUARY 6, 2015\***

**1. Mail Payment Receipt Logs – Main Jail**

Sacramento County Sheriff's Department's Correctional Services, Main Jail and Rio Cosumnes Correctional Center (RCCC) provide several ways for the public to deposit funds into inmates' accounts. The public can deposit funds through the cashiering window, mail, internet, phone, and the kiosk located at the Main Jail's lobby.

Prior Comment

During our review, we noted that Main Jail did not maintain mail logs to track check payments initially received through the mail. Without a log to track checks upon receipt through the mail, misappropriation of funds could occur and not be detected in a timely manner.

Prior Recommendation

We recommend Main Jail prepare and maintain mail check logs for its check payments received through the mail, and reconcile the mail check logs to the deposit made to Sacramento County Treasury and entered in its CORE system, Main Jail and RCCC's record keeping system.

Prior Management's Response

The Main Jail will update the operations order and procedures in order to act in accordance with this recommendation.

Current Status

Our recommendation has not been implemented by the Main Jail. See Attachment III: *Current Findings and Recommendations*.

**2. Untimely Deposits - RCCC's Jail Industries**

This finding was for RCCC only, the current status of this prior finding and recommendation is in a separate cash handling report.

\* Note: Prior cash handling review report is for both the Main Jail and Rio Cosumnes Correctional Center.

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MAY 2014 AND JUNE 2014, DATED JANUARY 6, 2015\***

**3. Inadequate Reconciliation Procedures– RCCC's Jail Industries**

This finding was for RCCC only, the current status of this prior finding and recommendation is in a separate cash handling report.

**4. Check Endorsement - RCCC**

This finding was for RCCC only, the current status of this prior finding and recommendation is in a separate cash handling report.

**5. Main Jail Prisoner Transportation Unit's Checking Account – Bank Reconciliation**

Prior Comment

Main Jail's Prisoner Transportation Unit (Unit) has an external bank account. During our review, we noted no bank reconciliations were performed for the Unit's checking account. In addition, the Unit's checking account book balance in the amount of \$2,106.78 as of May 28, 2014, did not agree to the \$3,000.00 authorized amount posted to Sacramento County Financial System (a.k.a. COMPASS). We were informed by the Unit's staff the difference of \$893.22 (\$2,106.78 - \$3,300.00) was due to bank service fees, advances, and travel expenses that were never replenished.

Prior Recommendation

We recommend the Unit perform bank reconciliations for its checking account and to reconcile its checking account book balance to the authorized amount posted in COMPASS, and investigate and resolve any discrepancies. We further recommend the Unit to contact the Department of Finance about the \$893.22 difference.

Prior Management's Response

The account will be reconciled and the bank account will be closed. The money will be deposited back to the County Treasurer.

\* Note: Prior cash handling review report is for both the Main Jail and Rio Consumnes Correctional Center.

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MAY 2014 AND JUNE 2014, DATED JANUARY 6, 2015\***

Current Status

The bank account was closed in June 2015 and the balance was deposited to the County Treasury on June 6, 2015.

**6. Main Jail Prisoner Transportation Unit's Checking Account – Travel Reimbursement**

Prior Comment

During our review, we noted that the Unit's checking account described in Finding #2 was mainly used for transporting prisoners travel reimbursements to Deputy Sheriffs. Sacramento County policies and procedures for reimbursement of transporting prisoners travel expenses are to have a travel reimbursement request submitted through the Department of Finance for reimbursement. Since the Unit uses its own checking account rather than submit claims to the Department of Finance for transporting prisoners travel expenses, the Unit was not in compliance with Sacramento County policies and procedures.

Prior Recommendation

We recommend the Unit follow Sacramento County policies and procedures by requiring its Deputy Sheriffs to submit travel reimbursement requests through the Department of Finance, Auditor-Controller Division rather than its checking account.

Prior Management's Response

Since the account will be closed once reconciled, this matter should no longer be concerning.

Current Status

The bank account was closed in June 2015 and the balance was deposited to the County Treasury on June 6, 2015.

**7. Authorized Signor on Bank Accounts – Main Jail and RCCC**

Prior Comment

Main Jail and RCCC have a shared external bank account other than Sacramento County Treasury. Main Jail and RCCC use this bank account to secure inmates' monies while they are

\* Note: Prior cash handling review report is for both the Main Jail and Rio Consumnes Correctional Center.

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in the Sheriff's custody. Upon release, the inmates' are returned their monies. We noted several authorized signors on this bank account.

In addition, Main Jail has another checking account for its Prisoner Transportation Unit that was described in Finding #5 and 6. We noted three authorized signors.

However, the Director of Finance is not listed as an authorized signor on both checking accounts listed above. Sacramento County policies and procedures require all external bank accounts have the Director of Finance as an authorized signor.

Prior Recommendation

We recommend Main Jail and RCCC contact the bank institution and the Director of Finance to include the Director of Finance as an authorized signor on both checking accounts.

Prior Management's Response

We will add the Director of Finance as a signor to the Main Jail and RCCC external bank accounts. The account for the Prisoner Transportation Unit will be closed.

Current Status

Our recommendation for Main Jail's bank account for securing inmates' monies has not been implemented. See Attachment III: *Current Findings and Recommendations*. However, the Prisoner Transportation Unit's checking account was closed in June 2015.

RCCC's current status of this prior finding and recommendation is in a separate cash handling report.

\* Note: Prior cash handling review report is for both the Main Jail and Rio Consumnes Correctional Center.



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**1. Mail Payment Receipt Logs**

Comment

During our review, we noted that the Sacramento County Sheriff's Department's Correctional Services, Main Jail (Main Jail) did not maintain mail logs to track check payments initially received through the mail. Without a log to track checks upon receipt through the mail, misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend the Main Jail maintain a mail log and agree the mail log to the deposit made to Sacramento County Treasury and the Main Jail's record keeping system, Clerk Online Record ePortal (CORE).

Management's Response

We concur with this recommendation. Main Jail floor officers will submit a mail log with all checks and money orders submitted to the Main Jail Cashier's Office for deposit. The Main Jail will agree the mail log to the deposit made to Sacramento County Treasury and the Main Jail's record keeping system, Clerk Online Record ePortal (CORE).

**2. Cash Safe Access**

Comment

The Main Jail only requires one individual to open the cash safe. Two employees (Sheriff Records Officer I and Sheriff Records Officer II) have access to the safe. Without a second individual present, theft or misappropriation of funds could occur.

Recommendation

We recommend the Main Jail establish and implement procedures where a second individual is present when the cash safe is opened to retrieve the funds. Funds should be recorded on a log immediately with both individuals signatures to ensure the funds are accounted. Also the log should be reconciled to the deposit amount in the County Treasury.

Management's Response

We concur with this recommendation. Main Jail will track all Safe Openings on an excel spreadsheet that will include the date, time, type of deposit (cash, checks, money orders, bail) and amount. The log will be signed by 2 individuals who are present at the time of opening

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and closing of the safe. At least one of these individuals will have the safe combination. Additionally, the log will be reconciled to the deposit amount in the County Treasurer.

**3. Separation of Duties**

Comment

The Main Jail's Daily Shift Cashier receive money (cash, checks, and money orders) during his/her shifts, prepares a cashier report that details all money received during his/her shift, and places the money and cashier report in a cash safe. Then, a Sheriff Records Officer (a.k.a. Trust Officer) balances the money from the safe to the cashier report, prepares the cash deposit, and records the deposit into the Sacramento County Financial System (a.k.a. COMPASS). Then, the Sheriff Records Officer II (a.k.a. Trust Office Supervisor) verifies the deposit amount and reconciles the deposit to COMPASS, once posted by the Department of Finance. The deposit is stored in a second safe until armored transport delivers the deposit to the County Treasury. Additionally, the Trust Office Supervisor reconciles the daily check log register to the external bank account.

During our review, we noted the Trust Office Supervisor performed both his/her duties and the Trust Officer's duties while the Trust Officer was on extended leave. Therefore, the Trust Office Supervisor retrieved money from the cash safe, balanced the money to the cashier report, prepared and recorded the deposit into COMPASS, and reconciled the deposit to COMPASS. Per Sheriff's Department General Order Cash Handling Procedures, "*Handling of cash will be kept separate from the recording of transactions and no one employee will be allowed to handle a transaction from beginning to end (separation of duties.)*". As a result of the Trust Office Supervisor performing both the Trust Officer and Trust Office Supervisor's daily deposit duties, the Main Jail was not in compliance with the Sheriff's Department General Order Cash Handling Procedures.

Without proper separation of duties present, misappropriation of funds could go undetected without management's knowledge.

Recommendation

The Main Jail should comply with the Sheriff's Department General Order Cash Handling Procedures and implement proper internal controls over its cash receipt process by separating the cash handling responsibilities so one individual cannot handle a transaction from beginning to end. The Main Jail should not allow one employee to perform both the Trust

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Officer and the Trust Office Supervisor's duty at the same time. Additionally, a separate employee should reconcile the daily check log register to the external bank account.

Management's Response

The Main Jail has modified its procedures to be in compliance with General Order 16/14. In the event either the Trust Account Supervisor or the Trust Account Officer is out of the office for the day, another team member from the Main Jail will be brought into verify the cashier work; and whoever is on duty (the Supervisor or the Trust Officer) will post the deposit into COMPASS.

**4. Authorized Signor on Bank Accounts**

Comment

The Main Jail has an external bank account other than the Sacramento County Treasury. The Main Jail uses this bank account to secure inmates' monies while they are in the Sheriff's custody. Upon release, the inmates' are returned their monies. Funds are transferred to the County Treasury via ACH Wire Transfer, and recorded in COMPASS.

We noted that only one signatory is required for a check disbursement and the account has 36 authorized signors.

However, the Director of Finance is not listed as an authorized signor on the account. Sacramento County policies and procedures require all external bank accounts have the Director of Finance as an authorized signor.

Recommendation

We recommend the Main Jail contact the bank institution and the Finance Department to include the Director of Finance as an authorized signor on the checking account. We further recommend the Main Jail to require two signors for all bank account disbursements.

Management's Response

September 15, 2014, then Director of Finance, Julie Valverde was added as an authorized signor on the checking account. Her name erroneously did not get added to the Main Jail and Rio Cosumnes Correctional Center lists of Authorized Signors. A request has been sent to Ben Lamera, Interim Director of Finance requesting an update with his authorized signature.

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However we do not concur to the recommendation that the Main Jail require two signors for all bank account disbursements. Currently, for both the Main Jail and the Rio Cosumnes Correctional Center, there are 38 and 32 respectively, in house authorized signors. The authorized signors are updated every two weeks, due to movement of staff in the Sheriff's Department. The need for this many signors is necessary because on any given day, many of the authorized signors can be absent or out of the building, and pre-knowledge of this is not possible. The current process that we have in place with approval of check payments through the bank account does not validate having two signors.

**5. Repeat Findings**

Comment

We noted that Findings #1 and 4 of this attachment are repeat findings from the prior cash handling review report, see Attachment II, *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that these findings be resolved in a timely manner.

Recommendation

We recommend the Main Jail to implement all recommendations that are noted in this attachment.

Management's Response

We concur on all recommendations except where noted. Listed are the responses to the Repeat Findings.

Item #1: The Mail Payment Receipt Logs and the procedure to verify the logs to the deposit made to Sacramento County Treasury and the Main Jail's record keeping system, Clerk Online Record ePortal (CORE) was established October 2015.

Item #4

The Director of Finance has been added as an authorized signor on the external bank account.