

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: 01/08/2021

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 at the same time 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.

County 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 financial transactions recorded in the Sacramento County Accounting System (a.k.a COMPASS) were for the operation of the Trust Fund and the Sheriff's internal control over properly recording the Trust Fund's financial activities in the Sheriff's accounting system were adequate.

Summary

Based on our audit, we determined that 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

October 9, 2020

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

Dear Sheriff Jones:

We have audited Sacramento County 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, 2018, through June 30, 2020.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. 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 on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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's internal control over properly recording financial activities in the Program's accounting system.

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 will include the Program's internal control activities, policies, and procedures, and financial transactions from July 1, 2018, through June 30, 2020.

We performed our procedures 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 the 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 the 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.

Scott Jones, Sheriff
Sheriff's Department
October 9, 2020

3. Revenues – We obtained the detailed revenue ledger for the Trust Fund that reported \$380,488 (net of interest income) for the two-year period. We tested \$135,857 or 36% 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 Program. We tested \$75,525 expenditure transactions that represented 20% of Total Expenditures (\$384,662) for compliance. We traced the transactions to the supporting documentation such as invoices, receipts, journal entries, and 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, traced the acquisition amounts of the capital assets to COMPASS and recalculated the accumulated depreciation. We noted that there were no additions nor 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 that they are being used. 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, 2019, and June 30, 2020.
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's and County policies and procedures. From our procedures performed, we did not note any non-compliance with Sheriff's and County policies and procedures.
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 that the Trust Fund did not have any imprest cash.

In connection with this audit, there are certain disclosures that are necessary pursuant to *Generally Accepted Government Auditing Standards*.

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."

Scott Jones, Sheriff
Sheriff's Department
October 9, 2020


Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, we believe that the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

Based on our audit, we determined that the Jail Industries Trust Fund (Trust Fund)'s financial transactions recorded in COMPASS were for the operation of the Trust Fund and the Sheriff's internal control over recording financial activities in the Trust Fund's accounting system was 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, 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: Hong Lun (Andy) Yu, CPA
Audit Manager

Enclosures:

Schedule I, *Summary of Revenues, Expenses, and Capital Assets*
Attachment I, *Current Status of Prior Findings and Recommendations*

County of Sacramento
 Sheriff's Department
 Jail Industries Trust Fund Performance Audit
 Summary of Revenues, Expenses and Capital Assets
 July 1, 2018 through June 30, 2019

	<u>Amount Per General Ledger</u>	<u>Adjustment</u>	<u>Amount Adjusted</u>
Revenues			
Program Revenue	\$ 218,781 ⁽¹⁾		218,781
Interest Income	4,519		4,519
Total Revenues	<u>223,300</u>		<u>223,300</u>
Expenses			
Countywide Cost Allocation	3,186		3,186
Equipment Maintenance Supplies	208,706		208,706
Audits	8,880		8,880
Total Expenses	<u>220,772</u>		<u>220,772</u>
Operating Income	<u>\$ 2,528</u>		<u>2,528</u>
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Capital Assets as of June 30, 2019	<u>\$ 92,722</u>	<u>83,751</u>	<u>8,971</u>

⁽¹⁾ Amount consists of fiscal year 2017-18 revenues posted in fiscal year 2018-19 in the prior year revenue account in the amount of \$3,161.

County of Sacramento
 Sheriff's Department
 Jail Industries Trust Fund Performance Audit
 Summary of Revenues, Expenses and Capital Assets
 July 1, 2019 through June 30, 2020

	<u>Amount Per General Ledger</u>	<u>Adjustment</u>	<u>Amount Adjusted</u>
Revenues			
Program Revenue	\$ 161,707 ⁽¹⁾		161,707
Interest Income	4,082		4,082
Total Revenues	<u>165,789</u>		<u>165,789</u>
Expenses			
Countywide Cost Allocation	8,008		8,008
Equipment Maintenance Supplies	155,842		155,842
Total Expenses	<u>163,850</u>		<u>163,850</u>
Operating Income (Loss)	<u>\$ 1,939</u>		<u>1,939</u>
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Capital Assets as of June 30, 2020	<u>\$ 92,722</u>	<u>92,722</u>	

⁽¹⁾ Amount consists of fiscal year 2018-19 revenues posted in fiscal year 2019-20 in the prior year revenue account in the amount of \$11,401.

County of Sacramento
Sheriff's Department
Jail Industries Trust Fund Performance Audit
Current Status of Prior Findings and Recommendations
For the Period July 1, 2018 through June 30, 2020

Prior Report Dated September 26, 2019 For the Period July 1, 2017 to June 30, 2018

1. Inappropriate Financial Reporting

Prior Recommendation

We recommended the Sheriff establish a separate fund account to record Bureau of Land Management Wild Horse Program's revenues and expenditures, and not to commingle them with the Jail Industries Trust Fund's activities.

Current Status

It appears that the prior recommendation has been implemented.

2. Insufficient Documentation of Purchase Approval

Prior Recommendation

We recommended the Sheriff document is purchase approvals consistently for all purchases to prevent any confusion and to eliminate opportunities for inappropriate purchases in the future.

Current Status

It appears that the prior recommendation has been implemented.