

COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT UNIT REPORT
JAIL INDUSTRIES TRUST FUND
PERFORMANCE AUDIT
JULY 1, 2022 TO JUNE 30, 2023**

SHERIFF'S OFFICE



Audit Committee Submittal Date: 02/20/2025

SUMMARY

Background

The Sacramento County Sheriff's Office (SCSO)'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 (COMPASS) were appropriate and to verify the adequacy of the SCSO's internal controls over the Trust Fund's financial activities for the period of July 1, 2022 to June 30, 2023.

Summary

Based on our audit, it appeared that the Trust Fund's financial transactions recorded in COMPASS were for the operation of the Trust Fund and the SCSO's internal controls over recording the Trust Fund's financial activities in the SCSO's accounting system were adequate except for inaccurate recording of one capital asset information in COMPASS.

Department of Finance

Chad Rinde
Director

**County of Sacramento****Divisions**

Auditor-Controller
Consolidated Utilities Billing &
Services
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

January 22, 2025

Jim Cooper, Sheriff
Sacramento County Sheriff's Office
4500 Orange Grove Avenue
Sacramento, California 95841

Dear Sheriff Cooper:

We have audited Sacramento County Sheriff's Office (SCSO)'s Jail Industries Trust Fund (Trust Fund), as required by County Code Section 2.150.060 for the period July 1, 2022 to June 30, 2023.

Our audit was conducted to assess whether the Jail Industries Program (Program)'s financial transactions recorded in the Sacramento County Accounting System (COMPASS) were for the operation of the Program and SCSO 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, 2022 to June 30, 2023.

The audit methodology utilized to conduct this performance audit included:

1. Internal Control – We reviewed and evaluated SCSO'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 SCSO'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.

3. Revenues – We obtained the detailed revenue ledger for the Trust Fund that reported \$216,637 for the period. We tested \$34,162 or 16% 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 ATT 1, *Summary of Revenues, Expenses and Capital Assets*.
4. Expenditures – We obtained the detailed expenditure ledger for the Trust Fund that reported \$163,171 for the period. We tested \$41,870, or 26%, of the total 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 ATT 1, *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 capital asset inventory list and confirmed they are still in use. During our fieldwork we noted one discrepancy where the physical asset's serial number was different from what was recorded in COMPASS as well as Jail Industries' own internal capital asset list. Furthermore, we noted an additional discrepancy regarding the accuracy of Jail Industries own internal capital asset list. See ATT 1 - *Summary of Revenues, Expenses and Capital Assets* and ATT 2 - *Current Finding and Recommendation*.
6. Accounting and Reporting – We inspected SCSO'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 SCSO and County policies and procedures. The 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. SCSO determined they needed to budget both the expenditure and revenue in an account that has appropriation authority from the Board of Supervisors. Therefore, SCSO'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 SCSO's general ledger and inquired SCSO'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 (GAGAS)*, 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 on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Jim Cooper, Sheriff
Sheriff's Office
January 22, 2025

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 GAGAS' 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.

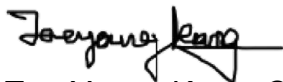
Based on our audit, except for one exception related to the Program's capital asset record as described in ATT 2 – *Current Finding and Recommendation*, the Trust Fund's financial transactions recorded in COMPASS appeared to be for the operation of the Trust Fund and the SCSO's internal controls over recording financial activities in the Trust Fund's accounting system appeared adequate.

SCSO's management response to the finding identified during our audit is described in ATT 2 - *Current Finding and Recommendation*. We did not perform procedures to validate SCSO's management response to the finding and, accordingly, we do not express opinions on the response to the finding.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive and SCSO'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,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachments:

ATT 1 – *Schedule of Revenues, Expenses and Capital Assets*
ATT 2 – *Current Finding and Recommendation*

County of Sacramento
 Sheriff's Office
 Jail Industries Trust Fund Performance Audit
 Summary of Revenues, Expenses and Capital Assets
 July 1, 2022 to June 30, 2023

Revenues and Expenses for the period July 1, 2022 to June 30, 2023

Revenues

Program Revenue	\$ 206,891
Interest Income	9,746
Total Revenues	<u>216,637</u>

Expenses

Operating Expenses	153,187
Countywide Cost Allocation	9,984
Total Expenses	<u>163,171</u>

Total Operating Income	<u>\$ 53,466</u>
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	Audited Amount	Jail Industries' Listing	Accumulated Depreciation
Total Capital Assets as of June 30, 2023	<u>\$ 96,600</u> ⁽¹⁾	<u>194,640</u> ⁽²⁾	<u>96,600</u>

(1) The amount includes the acquisition value of the machine with incorrect record of serial number in the amount of \$17,482 as described in ATT 2 - *Current Finding and Recommendation*.

(2) Jail Industries internal capital asset listing did not match what was posted on COMPASS, see ATT 2 - *Current Finding and Recommendation*.

COUNTY OF SACRAMENTO
SHERIFF'S OFFICE
JAIL INDUSTRIES TRUST FUND PERFORMANCE AUDIT
CURRENT FINDINGS AND RECOMMENDATIONS
JULY 1, 2022 TO JUNE 30, 2023

1. Capital Asset Serial Number and Listing Discrepancy

Condition

We tested 3 out of the 7 capital assets under Sacramento County Sheriff's Office (SCSO)'s custody Jail Industries Program (Program). During our testing, we noted that one of the assets, the "Rolls Roller Flatbed Applicator Table", had a different serial number than what was recorded on the Program's own internal capital asset list, as well as what was posted in Sacramento County Accounting System (COMPASS). The Program's capital asset list and COMPASS' record showed the serial number as, "OS35224", but the physical machine had Serial Number, "35085-1". The Program staff explained that the reason for the discrepancy is because the invoice provided with the purchase of the machine showed the serial number as "OS35224" which is different from the serial number of the physical machine. The serial number on the actual machine was different from what was recorded in the Program's internal documentation, as well as on COMPASS. Because of this, we were unable to verify whether the machine is the same machine originally purchased and recorded for the Program. The acquisition value of the machine was \$17,482 and has been fully depreciated.

The list of capital assets provided by Jail Industries did not match what was posted on COMPASS. The original capital asset list provided by Jail Industries contained 10 total capital assets totaling \$194,640 in acquisition value. The original list included 3 assets that should not have been included. 2 of the 3 capital assets were erroneously included in the Jail Industries' internal list but posted to correct account in COMPASS. 1 of the 3 assets did not belong to the Program but listed on Jail Industries internal list as well as COMPASS. Furthermore, COMPASS showed 3 other capital assets that were not listed on Jail Industries' internal list. These assets did not belong to the Program but were erroneously recorded in COMPASS under the Program account. Upon discovery of these errors during our procedures, Jail industries has made corrections in COMPASS, as well as on its internal list. The updated total amount of capital assets that jail industries holds is \$96,600.

Criteria

All capital asset information should be accurately recorded in COMPASS, as well as internal documentation in order to properly track and account for the assets.

Effect

Not maintaining accurate records of capital assets makes it difficult to track and vulnerable to theft, misappropriation or swapping with inferior assets.

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Recommendation

We recommend SCSO update its internal capital asset list for the Program to match with the serial number on the physical machine and reach out to Department of Finance to correct the serial number in COMPASS.

We recommend SCSO verify the accuracy of its internal capital asset list and reconcile the internal list with COMPASS records on a regular basis.

SCSO's Management Response

The Sheriff's Office agrees with the recommendation to ensure the accuracy of our capital asset list and its reconciliation with COMPASS. Regarding the Rolls Roller Flatbed Applicator Table, Fixed Asset 83407, we have updated our internal capital asset list to reflect the serial number on the physical machine. Additionally, the Sheriff's Office Fiscal Unit has updated the serial number in COMPASS.

We have verified the accuracy of our current internal capital asset list and will continue to reconcile it with COMPASS on a regular basis.