

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Internal Audit:  
Sonoma County Sheriff's Office  
Inmate Cash Management**

For November and December 2018

Engagement No: 3465  
Report Date: June 24, 2019



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Auditor-Controller-Treasurer-Tax Collector Web Site  
<http://sonomacounty.ca.gov/Auditor-Controller-Treasurer-Tax-Collector/>

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Inmate Cash Management  
Engagement No. 3465  
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## Executive Summary

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As a part of the 2018-2019 Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's Office (Internal Audit) audited the design of internal controls over the Sonoma County Sheriff's Office Inmate Cash Management.

Based on the work we performed, we found the system of internal controls over the Sonoma County Sheriff's Office Inmate Cash Management is properly designed with the following exceptions:

Current audit finding:

- 1) The safe containing a material amount of cash is not under dual control. Independent cash counts and reconciliations to records are performed quarterly. A lack of dual control generally increases the risk of loss and difficulty assigning responsibility when a loss does occur.

The Sheriff's Office has advised us that no losses have occurred in the past.

We recommend that the safe should be under dual control and surprise cash counts be performed by an individual not involved in the cash handling process.

Status of prior audit findings:

- 1) In our prior audit finding #1 we noted conditions that would allow one to determine that cash is being transported from the Jail and Sheriff's Office to the County Treasury by an individual employee. We discussed risks to the employee and the cash being transported associated with such a condition.

We recommended that the Sheriff's Office consider having an armed deputy accompany the employee transporting the cash.

As of the end of our field work, the Sheriff's Office has not implemented this recommendation.

- 2) In our prior audit finding #2 we noted that large amounts of cash were being held in certain cash drawers increasing the risk of loss.

We recommended that the Sheriff's Office maximize the use of electronic means for receiving and disbursing cash thereby reducing the need to handle actual cash.

The Sheriff's Office installed kiosks (TouchPay) that facilitate receiving funds electronically. However, the Sheriff's Office determined that the risks of issuing debit cards were high and decided to continue disbursing cash to the inmates.

- 3) In our prior audit finding #3 we noted the swing-shift Cashier at NCDF did not count the bundled cash amounts in the locked drawer during the initial cash count assuming that the bundles were accurate.

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## Executive Summary

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We recommended that all Cashiers be reminded to count the bundled cash located in the locked drawer at the beginning of each shift.

During our observation in this audit all bundled cash was counted, additionally bundled cash is now heat sealed and initialed by two cashiers to avoid the need to recount the bundles at shift changes.

4. In our prior audit finding #4 we noted the combination to the MADF safe has not been changed.

We recommended that the combination of the safe be changed.

The safe is in an area that requires badge access and the Sheriff's Office changed the combination to the safe.

- 5) In our prior audit finding #5 we noted that the amount of cash held in the Sheriff's Office could be reduced by using a checking account thereby reducing the risk of loss and reducing the time required to perform cash counts.

We recommended the Sheriff's Office open an outside checking account for issuing checks instead of cash to inmates during release.

The Sheriff's Office currently has a checking account as recommended. However, inmates continue to get paid in cash as the department determined that issuing checks will not be cost effective. Checks are used to pay for inmate transport. The need for holding cash on premises has been reduced as a result of opening the checking account.

- 6) In our prior audit finding #6 we noted that reconciliations of cash held in the bank, on hand and in the County Treasury with Sheriff's Office records were not reviewed by a supervisor.

We recommended that a member of management, who is not part of the inmate cash handling process, review the bank reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by initialing the form.

A supervisory review and approval is now required.

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## Introduction and Background

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### Introduction

We audited the design of internal controls over the Sonoma County Sheriff's Office Inmate Cash Management. We conducted the audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, observations, and recommendations contained in our report.

The primary purpose of our engagement is to furnish management independent and objective analyses, recommendations, and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

### Background

The California Government Code Section 26640, requires the sheriff to take charge of and account for all money and valuables found on each inmate delivered at the County jail. Except as otherwise ordered by a court, the sheriff is required to disburse the money or valuables in his/her custody as directed by the inmate. The law also requires the sheriff to maintain appropriate policies and procedures to ensure that inmate money and valuables are safeguarded. The California Government Code Section 26641 prescribes the manner in which the sheriff is required to transfer the custody of funds to others in the event an inmate is transferred to another facility or to a hospital.

The Sheriff's Office accounts for the inmate's unexpended funds in inmate accounts set up in the Justice System (formerly referred to as UNIX). Periodically the Sheriff's Office reconciles the total cash in its custody per internal records to the total of cash held on premises, in bank accounts and in the County Treasury. While in the county jail inmates authorize payments out of their accounts for such things as jail commissary purchases, medical copays, phone card purchases, and vending machine items.

The Jail Commissary Fund is maintained to account for commissary transactions. As inmates make purchases, their accounts are debited and cash is transferred to the Jail Commissary Fund. Periodically, the commissary profits are transferred to the Inmate Welfare Trust Fund and utilized in accordance with the Penal Code Section 4025.

When an inmate is booked into custody, an account is set up in the Justice System to account for the money in the inmate's possession. Additional money may be deposited in their accounts via the jail lobby kiosks, telephone or the internet. As described above inmates may spend the money in their accounts for Commissary items, phone cards, or other purposes.

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## Objectives and Scope

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### Objectives

The objective of this engagement was to evaluate the design of the system of internal controls over receiving, depositing, disbursing and recording inmate cash, at the Main Adult Detention Facility (MADF) and the North County Detention Facility (NCDF).

### Scope

The scope of our work covered activities observed on November 27th, 28th, 29th and December 6th of 2018 and included but was not limited to the following procedures:

- Walkthrough and review of procedures and documentation related to inmate cash collected and recorded in the Enterprise Financial System (EFS), the Justice System and held in the County Treasury, the Exchange Bank, the MADF safe or the MADF/NCDF cash drawers.
- Walkthrough and review of procedures and documentation related to the receipt, disbursement and reconciliation of inmate cash.

Our review included inquiry, observation, and review of documentation supporting the Sonoma County Sheriff's Office Inmate Cash Management internal controls.

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## Results

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**Cash Receipts: The Sheriff's Office has adequately designed procedures in place to provide assurance that cash and valuables received are accurately recorded.**

We performed a walkthrough and review of key internal controls related to the receipt of inmate cash, received on behalf of inmates, or collected from inmates during inmate booking at MADF including the entering of cash into the Justice System. As part of our walkthrough we reviewed Inmate Personal Property forms and Justice System generated receipts. We also performed a walkthrough and review of the processes related to reconciling cash received via TouchPay and transferred into the Sheriff's Exchange Bank account.

**Cash Deposits: The Sheriff's Office has adequately designed procedures in place to provide assurance that all cash collected is deposited intact with the County Treasury, Sheriff's safe or the bank as applicable. We however noted that the safe is not under dual control and the cash that is kept in it is not subject to surprise cash counts, which increases the risk of loss and difficulty in determining the cause of any discrepancy should there be one. We however noted that there has not been a discrepancy.**

We performed a walkthrough and review of key internal controls related to the deposit of cash from MADF, NCDF and the MADF safe into the County Treasury. As part of our walkthrough we reviewed tally sheets, Official County receipts, Justice System receipts, MADF safe currency inventory sheets and EFS Deposit Receipt Forms. We noted an opportunity for strengthening internal controls related to access of the MADF safe, further details are in the Current Audit Finding and Recommendation section of this report.

**Cash Disbursements: The Sheriff's Office has adequately designed controls in place to provide assurance that cash is disbursed as directed by the inmate or by court order and custody is transferred in accordance with the California Government Code 26641 in the event the inmate is transferred to another facility.**

We performed a walkthrough and review of key internal controls related to inmate release and the disbursement of inmate cash from the Sheriff's Office and the Justice System to the released inmate. As part of our walkthrough we reviewed inmate release documentation, including the inmate release form signed by inmates to acknowledge their receipt of cash and other personal property.

**Recording Cash: The Sheriff's Office has adequately designed procedures in place to identify discrepancies between cash on hand, in the County Treasury and in the bank to the total cash per internal records.**

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## Results

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We performed a walkthrough and review of key internal controls related to counting, recording and reconciling cash held on premises and at the Exchange Bank and the commissary revenue transferred to the County Treasury. We observed the cashiers shift change cash count, the MADF safe count, and reviewed cash count sheets, bank reconciliations, inmate transport forms and EFS Deposit Receipt forms. We noted an opportunity for strengthening internal controls related to access of the MADF safe, further details are in the Current Audit Finding and Recommendation section of this report.

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## **Current Audit Finding and Recommendation**

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### **Current Audit Finding #1: MADF Safe Cash Count: Risk Classification C: Control Finding**

The MADF safe is maintained in a secure location, however any of the 4 current employees who have the combination to the safe can access it by themselves. Although not required by the Sheriff's policy, a good preventative internal control would be requiring dual control to access the safe. Additionally, a good detective control would be surprise cash counts of the safe reconciled to the Justice System and performed by individuals who do not have cash handling responsibilities. No surprise cash counts are currently performed, and the safe is not under dual control.

Under such a condition there is an increased risk of loss of cash and if that risk materializes it would be difficult to fix responsibility. However, there has not been any discrepancies noted in the past.

Additionally, the Sheriff's office should consider a policy of changing the combinations periodically and when employees who have access to the safe are terminated from employment.

### **Recommendation #1:**

We recommend that the safe be kept under dual control, the combination to the safe be changed periodically as described above, and surprise cash counts be performed by an individual who has no other cash handling responsibilities.

### **Management Response:**

The Sheriff's Office concurs with the recommendation to change the combination to the safe when there is a staff change in the Unit and to conduct surprise cash counts by individuals that do not have cash handling responsibilities. In addition, while we concur that dual control of the safe is a good precautionary control, implementation is not feasible. Dual control of the safe is not feasible at this time due to our limited staffing. Requiring two staff members every time we access the safe would limit when we could perform work functions involving the safe, require that we pull other limited staffing from their work tasks, or require additional resources. The Sheriff's Office will keep this recommendation in mind should circumstances change in the future or additional resources become available.

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## Prior Audit Findings and Recommendations

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### Cash Deposits:

#### **Prior Audit Finding #1: MADF Cash Drawer Transfer to Safe and Treasury Deposit - Risk Classification B: Significant Control Weakness**

In our prior audit we noted that an Account Clerk performs cash counts at the MADF Cashier's window in clear view of members of the public present in the lobby. The Account Clerk then bags the money and hand carries it to the County Treasury.

Individuals perceived to be transporting cash or other valuables are at a higher risk of being robbed. Such risk can be managed by a combination of procedures that result in concealing from the public the fact that cash and valuables are being transported and using a secure mode of transportation.

The individual hand carrying the cash bag to the County Treasury is at an increased risk of being robbed.

For this audit period we noted no change in procedures from that described above. The Senior Accounting Clerk (SAC) performs the MADF cash count once per week on the same day around the same time and hand carries the money bag to the County Treasury for deposit.

#### **Recommendation:**

We continue to recommend that the Sheriff's Office consider having an armed Deputy accompany the employee hand carrying money bags to the County Treasury for deposit. The Sheriff's Office should also consider having the SAC perform the cash count in a location not visible to the public and vary the pickup times and days.

#### **Status: Not implemented**

The SAC now performs cash counts in an area less visible to the public, as we had recommended. The Sheriff's Office however did not implement the second part of our recommendation that discussed an armed guard accompanying the staff transporting cash of \$1,000 or more.

#### **Management Response:**

The Sheriff's Office agrees with your observation that having an armed guard when transporting cash or other valuables may reduce the risk of being robbed. However, implementation of this recommendation is cost prohibitive at this time. Additionally, if an armed guard is not available when one is needed, this could negatively impact our ability to deliver cash to the Treasury in a timely manner thereby creating additional risks. Staff will make a conscious attempt to vary times and days when carrying funds. The Sheriff's Office will continue to monitor staff completing transfers of funds between County detention facilities and the County Treasury.

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## Prior Audit Findings and Recommendations

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### Recording Cash:

#### **Prior Audit Finding #2: MADF and NCDF Shift Change Cash Count - Risk Classification C: Control Finding**

In our prior audit we noted the Sheriff's Office continued to maintain large amounts of cash in the M1 and N1 cash drawers at MADF and NCDF. It was our understanding that the amount of cash kept in the M1 cash drawer would be significantly reduced once TouchPay had been fully implemented.

#### **Recommendation:**

We recommended that the Sheriff's Office continue to implement the use of electronic processing of inmate deposits and disbursements. This recommendation was meant to improve controls over cash handling and reduce the amount of time it took to count the several thousand dollars of cash and coin within the M1 and N1 cash drawers.

#### **Status: Partially implemented**

TouchPay Kiosks have been implemented to receive deposits for inmates. The money received is deposited into an account at Exchange Bank. At this time however there is no electronic means of disbursing funds to inmates at release; this is still done through cash. Upon further evaluation by the Sheriff's Office, they have chosen not to implement release debit cards at this time, due to ethical concerns regarding fees which could deplete the inmate's funds. To minimize the risks and additional time necessary to count large amounts of cash, the Sheriff's Office bundles currency in heat sealed bags, each bag contains two initials of the individuals who counted the cash in the bag. The sealed bags are kept in the Cashier's drawer to reduce the amount of cash required to be counted at shift change.

#### **Prior Audit Finding #3: NCDF Shift Change Cash Count - Risk Classification C: Control Finding**

In our prior audit we noted the swing-shift Cashier at NCDF did not count the bundled cash amounts in the locked drawer during the initial cash count assuming that the bundles were accurate.

#### **Recommendation:**

We recommend that all Cashiers be reminded to count the bundled cash located in the locked drawer at the beginning of each shift.

#### **Status: Implemented**

During our observation in this audit all bundled cash was counted, additionally bundled cash is now heat sealed and initialed by two cashiers to avoid the need to recount the bundles at shift changes.

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## Prior Audit Findings and Recommendations

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### **Prior Audit Finding #4: MADF Safe Cash Count - Risk Classification C: Control Finding**

In our prior audit we noted the combination to the MADF safe has not been changed.

#### **Recommendation:**

We recommended that the combination of the safe be changed.

#### **Status: Implemented**

The safe is in an area that requires badge access and Sheriff's Office changed the combination to the safe.

### **Prior Audit Finding #5: MADF Safe Cash Count - Risk Classification C: Control Finding**

In our prior audit we noted that during our observation the jail safe cash count did not reconcile with the UNIX cash summary balance causing a recount of the safe to determine if the cash count was performed in error. With the amount of cash in the safe, the initial count and re-count took well over an hour to perform.

#### **Recommendation:**

We recommend the Jail open an outside checking account for issuing checks instead of cash to inmates during release.

#### **Status: Partially Implemented**

The Sheriff's Office has instituted an outside checking account from which checks are written to pay for inmate transports. The need to hold cash on premises has decreased as result of opening and operating the checking account. However, on the date of our site visit we noted that the Sheriff's Office was holding \$57,154.52 on premises because released inmates are still paid in cash.

We understand the Sheriff's Office has come to the conclusion that the cost of paying inmates via checks outweighs the benefits, in terms of lowered risk of loss, derived from reduced need for keeping cash on premises.

### **Prior Audit Finding #6: Inmate Exchange Bank Account - Risk Classification C: Control Finding**

In our prior audit we noted the Inmate Welfare Trust bank reconciliation was performed on a monthly basis by the Sheriff's Accountant II, to reconcile the ending balance on the Exchange Bank statement to the check register balance and the balance in the Financial Accounting Management Information System. The reconciliation was not reviewed by anyone in the Sheriff's Office.

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## Prior Audit Findings and Recommendations

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### **Recommendation:**

We recommended that a member of management, who is not part of the inmate cash handling process, review the bank reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by initialing the form.

### **Status: Implemented**

The Sheriff's Office has implemented a management review of the monthly bank reconciliations. The SAC forwards the reconciliation to the Supervising Accountant for review and approval upon completion of the reconciliation.

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## **Staff Acknowledgement**

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We would like to thank the management and staff of the Sheriff's Office for their time, information, and cooperation throughout the review.

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## Appendix A-Report Item Risk Classification

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For purposes of reporting our audit findings and recommendations, we classify audit report items into three distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**  
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- **Risk Classification B: Significant Control Weakness:**  
Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.
- **Risk Classification C: Control Findings:**  
Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.



# Sonoma County Sheriff's Office

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June 3, 2019

Kanchan Charan, Audit Manager  
Audit Division  
Sonoma County Auditor-Controller-Treasurer-Tax Collector (ACTTC)

RE: Audit No. 3465 – May 31, 2019 Internal Audit: Sonoma County Sheriff's Office Inmate Cash Management

We have received and reviewed the above-referenced audit report. We appreciate your work on this and are submitting the following responses to your recommendations. This report identified a few suggestions and recommendations aimed at establishing stronger preventative internal controls over asset safeguarding, specifically:

### **Current Audit Finding #1: MADF Safe Cash Count**

*The MADF safe is maintained in a secure location, however any of the 4 current employee who have the combination to the safe can access it by themselves. Although not required by the Sheriff's policy, a good preventative internal control would be requiring dual control to access the safe.*

*Additionally, a good detective control would be surprise cash counts of the safe reconciled to the Justice System and performed by individuals who do not have cash handling responsibilities. No surprise cash counts are currently performed, and the safe is not under dual control.*

*Additionally, the Sheriff's Office should consider a policy of changing the combinations periodically and when employees who have access to the safe are terminated from employment.*

*The recommendation is that the safe be kept under dual control, the combination to the safe be changed periodically as described above, and surprise cash counts be performed by an individual who has no other cash handling responsibilities.*

The Sheriff's Office concurs with the recommendation to change the combination to the safe when there is a staff change in the Unit and to conduct surprise cash counts by individuals that do not have cash handling responsibilities. In addition, while we concur that dual control of the safe is a good precautionary control, implementation is not feasible. Dual control of the safe is not feasible at this time due to our limited staffing. Requiring two staff members every time we access the safe would limit when we could perform work functions involving the safe, require that we pull other limited staffing from their work tasks, or require additional resources. The Sheriff's Office will keep this

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## Appendix B-Management Response

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recommendation in mind should circumstances change in the future or additional resources become available.

**Prior Audit Finding #1: MADF Cash Drawer Transfer to Safe and Treasury Deposit**

*In our prior audit we noted that an Account Clerk performs cash counts at MADF then bags the money and hand carries it to the County Treasury.*

*Individuals perceived to be transporting cash or other valuables are at a higher risk of being robbed. Such risk can be managed by being transported and using a secure mode of transportation.*

*For the audit period we noted no change in procedures from that described above. The Senior Accounting Clerk (SAC) performs the MADF cash count once per week on the same day around the same time and hand carries the money bag to County Treasury for deposit.*

*The recommendation is that the Sheriff's Office consider having an armed guard accompanying the staff transporting cash of \$1,000 or more.*

The Sheriff's Office agrees with your observation that having an armed guard when transporting cash or other valuables may reduce the risk of being robbed. However, implementation of this recommendation is cost prohibitive at this time. Additionally, if an armed guard is not available when one is needed, this could negatively impact our ability to deliver cash to the Treasury in a timely manner thereby creating additional risks. Staff will make a conscious attempt to vary times and days when carrying funds. The Sheriff's Office will continue to monitor staff completing transfers of funds between County detention facilities and the County Treasury.

The Sheriff's Office would like to thank you for performing the audit and providing us with your findings and recommendations regarding our internal controls related to Inmate Cash Management.

Sincerely,



Mark Essick  
Sonoma County Sheriff