

INTRADEPARTMENTAL CORRESPONDENCE

August 19, 2015
14.2

TO: The Honorable Board of Police Commissioners

FROM: Chief of Police

SUBJECT: INMATE WELFARE FUND AUDIT (AD No. 14-058)

RECOMMENDED ACTIONS

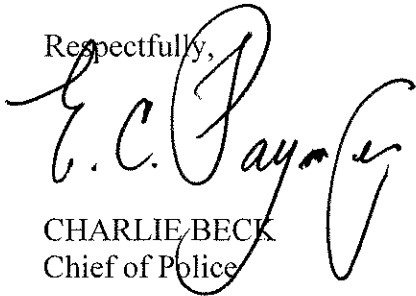
1. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Inmate Welfare Fund Audit.
2. It is recommended that the Board of Police Commissioners REVIEW and APPROVE the attached Executive Summary thereto.

DISCUSSION

Audit Division conducted the Inmate Welfare Fund Audit to evaluate compliance with Department policies and procedures.

If additional information regarding this audit is required, please contact Arif Alikhan, Director, Office of Constitutional Policing and Policy, at (213) 486-8730.

Respectfully,

A handwritten signature in black ink, appearing to read "C. Beck", is written over the typed name and title.

CHARLIE BECK
Chief of Police

Attachment

LOS ANGELES POLICE DEPARTMENT

INMATE WELFARE FUND AUDIT

(AD No. 14-058)



Conducted by
Audit Division

CHARLIE BECK
Chief of Police

June 2015

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**EXECUTIVE SUMMARY
INMATE WELFARE FUND AUDIT
Conducted by
Audit Division
Third Quarter, Fiscal Year 2013/14**

PURPOSE

In accordance with the Los Angeles Police Department (Department) Audit and Inspection Plan for fiscal year 2013/14, Audit Division (AD) conducted the Inmate Welfare Fund Audit (IWF).¹ The purpose of the audit was to ensure conformance with the California Penal Code as well as Department policies and procedures, and should be used as a management tool to provide useful feedback to the Commanding Officer and supervisors of Jail Division.

BACKGROUND

The IWF² was established in 1999 in accordance with California Penal Code Part 3, Title 4, Chapter 1, Section 4025. The IWF is currently facilitated at Metropolitan Jail Section under the supervision and safeguarding of the IWF committee which includes the Jail Division Commanding Officer, Jail Division's accounting clerk and two Jail Division supervisors who review and approve all expenditures.

The IWF is funded by the commission earned from inmate collect telephone calls. During calendar year 2013, the IWF received an approximate monthly revenue commission of \$15,000. The contracted telephone company, Global TeleLink Corporation (GTL), pays 40 percent commission of gross revenue generated from the use of public telephones by inmates while detained in the Department's various jail sections.

Currently, the IWF is maintained in a noninterest bearing account. Jail Division tracks all deposits and disbursements on the IWF ledger using Intuit Quickbooks Software (Quickbooks). Each month the accounting clerk assigned to Jail Division, performs a bank reconciliation on Quickbooks and prepares a monthly Receipts and Disbursements Report (RDR), Form 15.47.00, which is audited by two committee members and subsequently approved by the Jail Division Commanding Officer. As of December 31, 2013, the balance in the IWF was \$972,637.

SUMMARY OF FINDINGS

This audit had four objectives to test the various IWF procedures. The Department did well with each objective with the exception of supporting documentation for transactions (Objective No.1). In essence, payments were made for some Expenditure Control Forms (ECFs) based on estimated costs (quotations received), and not based on receipts or invoices detailing materials and services rendered. This may have resulted in inaccurate payments to vendors. The Commanding Officer, Jail Division, agreed to reconcile all work orders with General Services Department (GSD) and ensure that any outstanding receivables were collected or reconciled with their work orders. The results of the audit objectives are summarized in Table No. 1. Additionally, there were Other Related Matters identified for which recommendations were

¹Originally the IWF audit was included as an objective in the Jail Operations Audit, IAID No.14-002; however, it was determined that the scope would lend greater value to Department management as a stand-alone audit.

²The Department Manual refers to the IWF as the Prisoners' Welfare Fund.

made to address the possibility of obtaining a higher interest rate on the IWF account, evaluating the proper use of the IWF, and revising the Department Manual to reflect current operations and contemporary accounting practices.

RECOMMENDATIONS

1. It is recommended that Jail Division reevaluate their accounting practices to avoid making payments for estimated costs and reconcile the IWF account with GSD to ensure any overpayments resulting from these practices are refunded (*Objective No. 1*).
2. It is recommended that Jail Division should immediately renegotiate the best possible contract with GTL due to the fact the IWF is wholly funded by GTL commissions and the contract is currently expired (*Objective No. 2*).
3. It is recommended that the Department should work with the City Controller and the Office of Finance to seek other banking opportunities for the IWF to generate greater interest income such as a money market account (*Other Related Matters*).
4. It is recommended that the Department continue to assess the appropriateness of expenditures to ensure they are made within the context of the California Penal Code Part 3, Title 4, Chapter 1, - County Jails, Section 4025 (e) and Section 4025.5 (b); and Title 7, Chapter 1, Department of Correction and Rehabilitation, Section 5006.1 (*Other Related Matters*).
5. It is recommended that Policies and Procedures Division reevaluate and revise the Department Manual to reflect current accounting methodologies (*Other Related Matters*).

ACTIONS TAKEN/MANAGEMENT'S RESPONSE

The Commanding Officer, Jail Division, agreed to secure final invoices for services or products received prior to making payment to vendors. As of the date of this audit report, GSD determined that the net balance due to IWF is \$2,023.30 after offsetting the advance payments made by the IWF with the GSD charges for the 11 work orders for services rendered to the IWF.

Jail Division is in the process of releasing a Request for Proposal to obtain estimates on inmate telephone services.

INMATE WELFARE FUND AUDIT

Conducted by

Audit Division

Third Quarter, Fiscal Year 2013/14

PURPOSE

In accordance with the Los Angeles Police Department (Department) Audit and Inspection Plan for fiscal year 2013/14, Audit Division (AD) conducted the Inmate Welfare Fund Audit (IWF).¹ The purpose of the audit was to ensure conformance with the California Penal Code as well as Department policies and procedures. This audit is intended to be used as a management tool to provide useful feedback to the Commanding Officer and supervisors of Jail Division.

Audit Division conducted this audit under the guidance of generally accepted government auditing standards, specifically pertaining to performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. Audit Division has determined that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

BACKGROUND

The IWF² was established in 1999 in accordance with California Penal Code Part 3, Title 4, Chapter 1, Section 4025. The IWF is currently facilitated at Metropolitan Jail Section under the supervision and safeguarding of the IWF committee which includes the Jail Division Commanding Officer, Jail Division's accounting clerk and two Jail Division supervisors who review and approve all expenditures.

The IWF is funded by the commission earned from inmate collect telephone calls. During calendar year 2013, the IWF received an approximate monthly revenue commission of \$15,000. The contracted telephone company, Global TeleLink Corporation (GTL), pays 40 percent commission of gross revenue generated from the use of public telephones by inmates while detained in the following jail sections:

- Metropolitan Jail Section
 - Hollywood Area Jail
 - Wilshire Area Jail (temporarily closed)
- 77th Regional Jail Section
 - Pacific Area Jail
 - Southwest Area Jail (temporarily closed)
 - Harbor Area Jail (temporarily closed)
- Valley Regional Jail Section
 - Foothill Area Jail (temporarily closed)³

¹Originally the IWF audit was included as an objective in the Jail Operations Audit, IAID No.14-002; however, it was determined that the scope would lend greater value to Department management as a stand-alone audit.

²The Department Manual refers to the IWF as the Prisoners' Welfare Fund.

³Foothill Area Jail was closed on March 22, 2013, due to lack of personnel; however, on December 12, 2012, prior to its closure, a set of 25 cameras and a 40-inch television with the Nextiva monitoring system was installed in this facility.

- Devonshire Area Jail (temporarily closed)

Currently, the IWF is maintained in a noninterest bearing account. Jail Division tracks all deposits and disbursements on the IWF ledger using Intuit Quickbooks Software (Quickbooks). Each month the accounting clerk assigned to Jail Division, performs a bank reconciliation on Quickbooks and prepares a monthly Receipts and Disbursements Report (RDR), Form 15.47.00, which is audited by two committee members and subsequently approved by the Jail Division Commanding Officer. As of December 31, 2013, the balance in the IWF was \$972,637.

PRIOR AUDIT

This is the first IWF audit conducted by AD. However, in 2010 AD conducted a review of the IWF receipts and disbursements, which resulted in several recommendations.

STATUS OF RECOMMENDATIONS

1. *It is recommended to fully implement City Controller's Review recommendation in 2008 that a formal spending plan should be prepared to ensure the Department's use of the fund.*

Status of Recommendation No. 1: Implemented.

2. *It is recommended to review the City's policy and procedure regarding limitation to any and all banking activity by the LAPD and reconsider how the IWF may acquire a greater benefit from another federally insured banking institution to include a money market fund.*

Status of Recommendation No. 2: Not Implemented. Jail Division opened an account with Controller's Advantage Account which pays minimal interest.

3. *It is recommended to consider what resources are necessary in the successful opening of the new Metropolitan Detention Center and how to best utilize the IWF in the opening of this facility. Additionally, consider the needs of other facilities and determine how those needs meet the criteria under California Penal Code.*

Status of Recommendation No. 3: Implemented. Jail Division implemented this recommendation and attempted to maximize the use of this fund which is the focus of the audit.

4. *It is recommended to reconsider assessing the GTL contract after five years to get a better commission rate.*

Status of Recommendation No. 4: In progress. Jail Division is currently negotiating a new contract.

METHODOLOGY

Audit Division reviewed the California Penal Code, Department policies and procedures and the IWF bylaws. Additionally, auditors interviewed the Commanding Officer, Jail Division, and supervisors of the outlying jail sections to determine policies and procedures in place for this audit. Subsequently, AD performed inspections of capital improvements and equipment acquired and installed in calendar years 2011, 2012 and 2013. Audit Division reviewed all receipts and disbursements involving IWF from the second (April-June) and fourth (October-December) quarters of 2013 to determine whether supervisory approval was present and whether proper documentation was maintained for timely preparation of monthly RDRs.

Additionally, AD conducted site visits to inspect other major supplies, such as food, periodicals, and toiletries purchased in the last three years.

SUMMARY OF FINDINGS

This audit had four objectives to test the various IWF procedures. The Department did well with each objective with the exception of supporting documentation for transactions (Objective No.1). In essence, payments were made for some Expenditure Control Forms (ECFs) based on estimated costs (quotations received), and not based on receipts or invoices detailing materials and services rendered. This may have resulted in inaccurate payments to vendors. The Commanding Officer, Jail Division, agreed to reconcile all work orders with General Services Department (GSD) and ensure that any outstanding receivables were collected or reconciled with their work orders. The results of the audit objectives are summarized in Table No. 1. Additionally, there were Other Related Matters identified for which recommendations were made to address the possibility of obtaining a higher interest rate for the IWF evaluating its proper use and revising the Department Manual to reflect current operations and contemporary accounting practices.

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Table No. 1 – Audit Objectives and Findings

Obj. No.	AUDIT OBJECTIVES and FINDINGS	% Met the Standard
1	Supported Documentation for Transactions	12/30 (40%)
2	Accounting of Transactions in Fund's Ledger	
2(a)	All Revenue were Recorded	6/6 (100%)
2(b)	All Expenditures were Recorded	30/30 (100%)
3	Timely Preparation and Approval of Monthly Receipts and Disbursements	12/12 (100%)
4	Accounting of Purchased Supplies, Equipment and Capital Improvement Expenditures	5/5 (100%)

DETAILED FINDINGS

Objective No. 1 – Supported Documentation for Transactions

Criteria

Department Manual Section 3/350.14, Bookkeeping System, states, "*Exception: A petty cash fund, not to exceed one hundred dollars, may be kept in a safe place within the station.*"

- *Sign all checks drawn on the checking account and have them countersigned by the chairperson of the fund committee or his/her designated alternate;*
- *Obtain authorization from the fund committee for all disbursements; however, the fund committee may authorize routine disbursements from the petty cash fund without prior approval;*
- *Account for each disbursement with an itemized receipt, invoice, or voucher, and maintain a file of these documents for one year;"*

Inmate Welfare Fund Bylaws, Section D 4, Administration, states, "*Fund expenditures greater than \$50,000 require the approval and signature of the Director, Office of Special Operations.*"

Inmate Welfare Fund Bylaws, Section E 3, Request for Fund Expenditures, states, "*expenditure request with an anticipated cost in excess of \$10,000 must include a minimum of three independent vendor estimates unless utilizing a current City Contractor or sole source vendor.*"

Inmate Welfare Fund Bylaws, Section F, Accounting, states, "*Jail Division Accounting Clerk to be responsible for the following: (f) Account for each disbursement with an itemized receipt, invoices, or voucher and maintain these for five years.*"

Audit Procedures

Audit Division examined 30 ECFs paid in the second and fourth quarter of 2013 to determine whether these transactions were supported by valid invoices or receipts. Additionally, AD determined whether vendors for purchases over \$10,000 were selected from three or more competitive vendor bids.

Findings

Twelve (40%) of the 30 ECFs met the standard for this objective. Payments were made for the remaining 18 ECFs based on estimated costs (quotations received) and not based on receipts or invoices detailing materials and services rendered. This may have resulted in inaccurate payments to vendors. At the conclusion of the audit, AD was unable to determine the exact amount of over payment because itemized invoices were not available.

Additionally, four ECF's reviewed were for purchases over \$10,000 and did not include three or more competitive bids.

Audit Division discussed the findings with the Commanding Officer, Jail Division, who agreed to secure final invoices for service or products received prior to making payment to vendors. Specifically, the Commanding Officer agreed to reconcile all work orders with GSD and ensure that any outstanding receivables were collected or reconciled with any ongoing work orders.

Objective No. 2 – Accounting of Transactions in Fund's Ledger

Criteria

Department Manual Section 3/350.14, Bookkeeping System, states, "*The chairperson of a non-budgetary Department fund committee shall appoint an accounting officer who shall be responsible for maintaining a bookkeeping system for the committee. The accounting officer shall:*

- *Maintain a double-entry journal listing receipts on the left page and disbursements on the right page. (Royal Vernon Line, No. 2176, or its equivalent, shall be used.)⁴*
- *Record each transaction in the journal listing the date, check number when applicable, source or purpose, and the amount received or expended."*

Department Manual Section 3/350.40, Prisoner's Welfare Fund, states, "*The Prisoners' Welfare Fund shall consist of all non-budgetary money received by Jail Division intended for the welfare of prisoners. **Responsibility:** The Commanding Officer, Administrative Services Bureau, is responsible for the proper administration and accounting of this fund."*

Inmate Welfare Fund Bylaws Section F, Accounting, states, "*Jail Division Accounting Clerk to be responsible for the following: (a) Ensure Committee authorization is documented on the Inmate Welfare Fund Expenditure Control Form prior to any expenditure; (b) Maintain all Fund receipts and disbursements in a double-entry journal listing and receipts and disbursements; (c) Record each transaction in the journal listing at the date, check number (when applicable), source of the amount received or object of the amount expected; (d) Each month reconcile the Fund's Journal with the Fund's bank account. Any discrepancies will be reported to the committee."*

⁴As stated in the background section, Jail Division uses Quickbooks to record all receipts and disbursements which is an acceptable accounting practice.

Objective 2a – All Revenues were Recorded

Audit Procedures

Audit Division reviewed the commission checks received from GTL for the second and fourth quarters of 2013. These checks and supporting documents were reviewed to determine if the commission was paid in accordance with the existing contract with GTL, and whether they were properly recorded in the fund's ledger.

Findings

Each (100%) of the checks were paid in accordance with the existing contract and recorded in the Fund's ledger, however, AD noted that the contract with GTL was a five year contract with a two year extension upon mutual agreement. After exercising the two year extension, the contract expired on March 8, 2014.

Objective 2b – All Expenditures were Recorded

Audit Procedure

Audit Division reviewed 30 ECFs for the second and fourth quarters of 2013. These disbursements were reviewed to determine if they were properly recorded in the fund's ledger and approved by the Commanding Officer, Jail Division.

Findings

Each (100%) of the ECFs were properly recorded in the fund's ledger and approved by the Commanding Officer, Jail Division.

Objective No. 3 – Timely Preparation and Approval of Monthly Receipts and Disbursements

Criteria

Department Manual Section 3/350.14, Bookkeeping System, states, "*Complete a Receipts and Disbursements Report, Form 15.47.00, at the end of each month and forward one copy of the report to the Chief Accounting Employee, where it will be checked for accuracy and proper accounting procedures.*"

The Chief Accounting Employee refers to the Commanding Officer, Fiscal Operations Division.

Audit Division assessed the current accounting practices of Jail Division and determined acceptable accounting procedures are in place. Each month, the Jail Division accounting clerk prepares a monthly RDR which is reviewed by two committee members and subsequently approved by the Commanding Officer, Jail Division.

Audit Procedure

Audit Division reviewed the 12 RDRs for 2013 to determine whether they were accurately recorded in the fund's ledger and approved by the Commanding Officer.

Findings

Each (100%) of the RDRs met the standard for this objective.

Objective No. 4 – Accounting of Purchased Supplies, Equipment and Capital Improvement Expenditures

Criteria

California Penal Code Part 3, Title 4, Chapter 1, Section 4025 (e), County Jails, states, *“The money and property deposited in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff. Inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system, such as meals, clothing, housing, or medical services or expenses, except that inmate welfare funds may be used to augment those required county expenses as determined by the sheriff to be in the best interests of inmates. An itemized report of these expenditures shall be submitted annually to the board of supervisors.”*

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Audit Procedure

Audit Division inspected all the capital improvements, equipment and supplies purchased using the IWF. The equipment (\$139,000) and capital improvements (\$1,122,000) between 2011 and 2013 was as follows:

<u>Capital Repairs and Improvements</u>	<u>Amount</u>
Camera and Monitoring Improvements	553,983.15
Medical Dispensary and General Services Department Charges	209,695.44
Painting	147,420.00
Stainless Steel Wall Panels	113,391.64
Cell Pipe Prisoner Monitoring System	40,919.22
Exhaust System	25,243.75
Cell Door Replacements	17,970.63
Cell Floor Repair	9,818.00
<u>Miscellaneous Repairs and Improvements</u>	<u>3,611.38</u>
Total Capital Improvements	1,122,053.21

<u>Equipment</u>	<u>Amount</u>
Cell Wall Signs	65,042.64
Television and other Electronics	52,486.73
Police Equipment	15,900.37
<u>Miscellaneous Fixtures</u>	<u>5,189.37</u>
Total	138,619.11

Audit Division visited the jail sections where capital improvements and equipment were installed to determine whether each item was being utilized for its intended purpose.

Camera and Monitoring Equipment

Jail Division installed 76 cameras in Valley Regional Jail Section, 25 cameras each in Foothill Area Jail, Pacific Area Jail, Hollywood Area Jail and 77th Regional Jail Section, totaling 176 cameras. The cameras were equipped with Nextiva Software as the operating system and 40 inch televisions as monitors. Included in the above cost is a Panic Button for Hollywood Area Jail, closed circuit television camera for 77th Regional Jail Section and visitation phone for Valley Regional Jail Section. Audit Division counted all cameras and tested if they were operational. The cameras and monitoring systems for all the jail sections were operational with exception of one at Foothill Area Jail.⁵

⁵According to the Jail Division Administrative and Research Section Acting Officer-in-Charge, Foothill Area Jail was closed on March 22, 2013, due to personnel shortage, and four other jail sections were closed earlier.

Medical Dispensary and Other General Services Department Charges

Jail Division contracted with GSD to install, repair and maintain various capital improvements and equipment of the Jail Division facilities. Included in the above, was the conversion of a linen storage room into a Medical Dispensary. Audit Division noted that the Medical Dispensary is fully functional. A payment from the IWF was provided to GSD as an advance on the estimated cost of the room conversion in the amount of \$102,798. As of March 31, 2014, a balance of \$6,646.05 was not utilized for the expansion of the Medical Dispensary, and therefore this amount should have been refunded to Jail Division. In recent discussions with GSD personnel, they have indicated that due to other *separate* work orders, GSD proposed to offset the balance with the cost of those work orders; the current net total due to the IWF is \$2,023.30. As a general accounting practice, expenses should be recorded once they are incurred, and not based on estimates.⁶ The Department should not pay vendors based on quotes, but rather payments should be based on the cost of the project. Specifically herein, GSD should provide detailed invoices after the completion of each work order.

Wall Repainting

Jail Division contracted with Collarossi Painting Company to repaint and repair vandalism and mildew damage in 77th Regional Jail Section, Hollywood Area Jail and Pacific Area Jail. Audit Division visited the facilities and noted that they were newly painted.

Stainless Steel Wall Panel Protection

Jail Division contracted Stove, Inc. to install 16 gauge wall paneling in all jail facilities. Audit Division noted during the inspection that all walls and corners of the jail facilities were adequately covered by stainless steel panels.

Cell Pipe Monitoring System

Jail Division contracted with Timekeeping Systems, Inc. to install an electronic monitoring system at 77th Regional Jail Section and Valley Regional Jail Section. The monitoring system requires the detention personnel to swipe a digital tool referred to as a "pipe" on a digital pad located on the wall next to the jail cell after each inspection is conducted. The electronic system stores the cell check information in a database. This monitoring system is designed to ensure detention staff physically monitor the status of inmates in accordance with State mandates.

Exhaust System

Jail Division installed an exhaust system in Hollywood Area Jail and Pacific Area Jail to improve the air circulation.

⁶Generally Accepted Accounting Principles.

Cell Door Replacement

Jail Division replaced the cell doors with a slot to facilitate food serving to inmates at 77th Regional Jail Section, and replaced the holding door at Valley Regional Jail Section.

Cell Wall Signs

Jail Division purchased various vinyl wall signs which were posted in all Jail facilities (e.g., Los Angeles Municipal Codes; Penal Codes regarding inmate rights, duties, privileges; restroom and interview room signs, etc.).

Television and Other Electronic Equipment

Jail Division installed various televisions, DVD players, projectors, refrigerators, etc., in all Jail facilities.

Police Equipment

Jail Division purchased Tasers, mannequin face shields, podium microphones, etc., for all jail facilities for training and containment in case of emergency incidents.

Miscellaneous Fixtures

Jail Division purchased shelving, cabinets for storage, and wheelchairs for all jail facilities.

Other Expenditures (Not Capital Improvements)

Audit Division reviewed the distribution of newspapers as well as the invoices for the newspaper subscriptions purchased for 2013 (\$54,700).

Findings

Each (100%) of the jail facilities were inspected and all equipment and capital improvements were in place.

OTHER RELATED MATTERS

Money Market Account

California Penal Code Part 3, Title 4, Chapter 1, Section 4025 (h), states "*The treasurer may, pursuant to Article 1 (commencing with Section 53600), or Article 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, deposit, invest, or reinvest any part of the inmate welfare fund, in excess of that which the treasurer deems*

necessary for immediate use. The interest or increment accruing on these funds shall be deposited in the inmate welfare fund."

The IWF maintains an annual average balance over \$1,000,000. Jail Division should consider alternative banking options for any unutilized monies that would yield greater interest resulting in additional income.

Use of Inmate Welfare Fund

As stated in California Penal Code, Part 3, Title 4, Chapter 1, Section 4025 (e), County Jails, states, *"Inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system, such as meals, clothing, housing, or medical services or expenses, except that inmate welfare funds may be used to augment those required county expenses as determined by the sheriff to be in the best interests of inmates."*

Additionally, California Penal Code, Part 3, Title 4, Chapter 1, Section 4025.5 (b), County Jails, states that: *"Nothing in this section authorizes money from the inmate welfare fund to be used to provide any services that are required to be provided by the sheriff or the county. Money in the fund shall supplement existing services, and shall not be used to supplant any existing funding for services provided by the sheriff or the county."*

From 2011 to 2013, the Department expended \$1.3 million (87%) of the IWF in capital improvements and equipment for medical dispensary, televisions for entertainment and for security camera monitoring, repainting and upkeep of jail facilities. The Department should consider obtaining the City Attorney's opinion to determine if the use of the IWF for capital improvements was within the parameters of the penal code.

Reevaluation of Department Manual

Audit Division noted that Department Manual Section 3/350.40 refers to the "Commanding Officer, Administrative Services Bureau." However, Department reorganization has shifted this responsibility to the Director of the Office of Special Operations. All forms currently used by Jail Division for IWF, including ECF, have been changed accordingly to reflect the approval process for the reorganization.

Additionally, the Department Manual Section 3/350.14 states as follows:

- *"Maintain a double-entry journal listing receipts on the left page and disbursements on the right page. (Royal Vernon Line, No. 2176, or its equivalent, shall be used.)"*
- *"Complete a Receipts and Disbursements Report, Form 15.47.00, at the end of each month and forward one copy of the report to the Chief Accounting Employee,"*

The current accounting practice includes the use of Quickbooks and Microsoft Excel. As such, the Department Manual stating the "Royal Vernon line, No. 2176" reflects an accounting practice considered to be antiquated by today's industry standard, and therefore, the manual section should be revised.

RECOMMENDATIONS

1. It is recommended that Jail Division reevaluate their accounting practice to avoid making payments for estimated costs and reconcile the IWF with GSD to ensure any overpayments resulting from this practice are refunded (*Objective No. 1*).
2. It is recommended that Jail Division should immediately renegotiate the best possible contract with GTL due to the fact the IWF is wholly funded by GTL commissions and the contract is currently expired (*Objective No. 2*).
3. It is recommended that the Department should work with the City Controller and the Office of Finance to seek other banking opportunities for the IWF to generate greater interest income such as a money market account (*Other Related Matters*).
4. It is recommended that the Department continue to assess the appropriateness of expenditures to ensure they are made within the context of the California Penal Code Part 3, Title 4, Chapter 1, - County Jails, Section 4025 (e) and Section 4025.5 (b); and Title 7, Chapter 1, Department of Correction and Rehabilitation, Section 5006.1 (*Other Related Matters*).
5. It is recommended that Policies and Procedures Division reevaluate and revise the Department Manual to reflect current accounting methodologies (*Other Related Matters*).

ACTIONS TAKEN/MANAGEMENT'S RESPONSE

The Commanding Officer, Jail Division, agreed to secure final invoices for services or products received prior to making payment to vendors. As of the date of this audit report, GSD determined that the net balance due to IWF is \$2,023.30 after offsetting the advance payments made by the IWF with the GSD charges for the 11 work orders for services rendered to the IWF.

Jail Division is in the process of releasing a Request for Proposal to obtain estimates on inmate telephone services.

INTRADPARTMENTAL CORRESPONDENCE

December 1, 2014
18.2.2

TO: Commanding Officer, Internal Audits and Inspection Division

FROM: Commanding Officer, Jail Division

SUBJECT: REVISED - RESPONSE TO JAIL DIVISION INMATE WELFARE FUND
AUDIT

This correspondence is in response to the results of the compliance audit for the Inmate Welfare Fund (IWF), completed by Internal Audits and Inspections Division (IAID). The pertinent portions of the working papers were reviewed to gain insight on the audit results. The following is Jail Division's response:

CURRENT AUDIT – DETAILED FINDINGS, 2014

Objective No. 1 – Supported Documentation for Transaction:

Jail Division no longer provides payment for work estimates funded by the IWF. All requests for products, services, and/or work to be performed require that the actual cost (materials, labor, etc.) involved and are paid based upon the bill, not the estimate.

Jail Division personnel met with General Services regarding an overcharge of \$2,023.30 for work performed and funded by the IWF. The Division is working with General Services on the remittance of the funds. Should a method for reimbursement of the monies be unavailable, JD will request additional work be performed by General Services that fulfills the balance of the overcharge.

RESPONSE TO RECOMMENDATIONS AND ACTIONS TAKEN

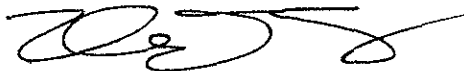
Jail Division is in the final stages of releasing a Request for Proposal (RFP) for a new inmate telephone contract. The RFP will provide an avenue that strikes a balance between the arrestees needs and maintaining the IWF.

Jail Division consulted with the City of Los Angeles, Office of Finance, and received advice and direction on the viability of transferring funds to an alternate banking source that provides a higher interest rate return than currently provided. As a result of this information, this command has identified a Certificate of Deposit (CD) that provides the security and a qualified interest rate return. Jail Division took action and opened a CD account utilizing the maximum amount that falls within the FDIC insurance coverage guidelines. Jail Division will continue to explore other City approved investment products that provide security and competitive interest rates. In the meantime, JD will continue to utilize current checks and balances procedures to ensure accounting accuracy.

To address spending concerns and ensure compliance with California law regarding expenditures from the IWF, this commanding officer met with Deputy City Attorney (DCA) Carlos De La Guerra. In review, DCA De La Guerra determined the IWF expenditures were appropriate and compliant with the law. Jail Division will continue to meet routinely with the City Attorney to review current and proposed expenditures to ensure compliance.

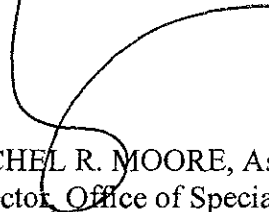
Jail Division has forwarded correspondence to Planning and Research Division requesting the Department manual be updated to reflect current accounting practices.

If you have any further questions, please contact Captain David Lindsay, Commanding Officer, Jail Division, at (213) 356-3450.



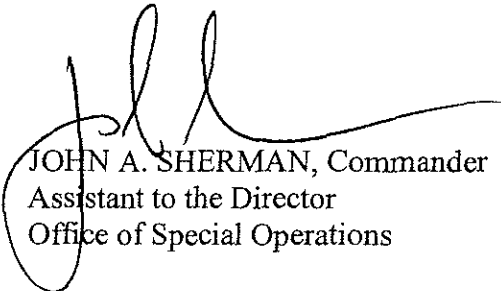
DAVID A. LINDSAY, Captain
Commanding Officer
Jail Division

REVIEWED:



MICHEL R. MOORE, Assistant Chief
Director, Office of Special Operations

APPROVED:



JOHN A. SHERMAN, Commander
Assistant to the Director
Office of Special Operations