



COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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April 22, 2021

TO: Each Supervisor

FROM: Arlene Barrera, Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – INMATE WELFARE FUND PROCESS REVIEW**

With the support and active participation of the Sheriff's Department (Sheriff or Department), at the request of the Audit Committee, we evaluated the design of the Department's processes and controls over their Inmate Welfare Fund (IWF or Fund) to determine whether they provide reasonable assurance to management that their Fund operations are in accordance with California Penal Code (CPC) Section 4025, County and Departmental guidelines. We also performed a multi-year revenue and expenditure comparison of the IWF and compared the Sheriff's Fund expenditures with other local counties, under a separate cover, in our Sheriff's IWF Financial Comparison review.

We noted opportunities to improve the Sheriff's processes and controls over the IWF, which management has agreed to implement. For example:

- The Sheriff will establish processes and controls to ensure that they develop Key Performance Indicators (KPI) and other performance measures to track and evaluate the effectiveness of their IWF programs. In addition, the Department will periodically evaluate IWF inmate programs with established KPIs and other performance measures.
- The Sheriff will establish processes and controls to ensure that the Department performs periodic IWF assessment of inmate program needs and other expenditures for the direct benefit/welfare of inmates. In addition, the Department will annually evaluate and consider adjustments to the IWF allocation based on the periodic Fund assessments and program evaluations.

These enhancements will provide greater assurance that the Sheriff's IWF processes and controls are clear, documented, and in compliance with applicable guidelines.

For details of our review, see Attachment I. The Department's response, included in Attachment II, indicates general agreement with four recommendations, partial agreement with two recommendations, and that one recommendation was not applicable.

NUMBER OF RECOMMENDATIONS	
PRIORITY 1	2
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS	
PRIORITY 2	5
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS	
PRIORITY 3	0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS	

FAST FACTS

For Fiscal Year 2018-19 the Sheriff received approximately \$25.2 million in net IWF revenue and reported total net expenditures of over \$31.2 million (Net revenues and expenditures have been reduced for the payments to the contractor for the cost of the commissary and vending items sold).

As of February 28, 2021, the IWF had a balance of approximately \$29.8 million.

Board of Supervisors

April 22, 2021

Page 2

Note that this review was delayed due to several other priority assignments. In addition, certain departments may experience delays with implementing corrective actions due to the challenges and impact of COVID-19. As a result, in some instances, the Sheriff's anticipated implementation date may exceed the Auditor-Controller's established recommendation priority implementation timeframes. We will follow-up on the implementation status of each recommendation during our first scheduled follow-up review.

We thank the Sheriff management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at mpirolo@auditor.lacounty.gov.

AB:OV:PH:MP:JU:gu

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Alex Villanueva, Sheriff

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Mike Pirola
DIVISION CHIEF

AUDIT DIVISION

Report #K18FJ

SHERIFF'S DEPARTMENT - INMATE WELFARE FUND PROCESS REVIEW

BACKGROUND

The Sheriff's Department (Sheriff or Department) administers and oversees the Inmate Welfare Fund (IWF or Fund) in accordance with California Penal Code (CPC) Section 4025, which is primarily funded through commissions received from inmate commissary sales and telephone services. CPC Section 4025 requires that IWF monies be used for the benefit, education, and welfare of inmates confined within the jail, and any remaining funds can be used for jail maintenance expenditures. The Inmate Welfare Commission (IWC or Commission) oversees IWF program expenditures and generally meets monthly to discuss planned program funding uses (i.e., education, recreation, vocational training, counseling, and re-entry), addresses concerns regarding inmate care, etc. The Sheriff's Facility Services Bureau administers and oversees all IWF jail maintenance/upgrade expenditures. For Fiscal Year (FY) 2018-19, the Sheriff's net IWF expenditures totaled approximately \$31.2 million (reduced for the payments to the contractor for the cost of the commissary and vending items sold).

At the request of the Audit Committee, we reviewed the design of the Department's processes and controls over their IWF. Our review included interviewing management and staff, examining policies and procedures, and conducting detailed walkthroughs of IWF processes. Our review did not include an evaluation of the Sheriff's usage of IWF revenues, whether Fund expenditures complied with the CPC, etc. The Sheriff plans to hire an independent accounting firm to perform a financial/compliance audit for FY 2016-17 through FY 2018-19, which will cover some of these areas. In addition, we performed a multi-year revenue and expenditure comparison of the IWF and compared the Sheriff's Fund expenditures with other local counties under a separate cover in our Sheriff's IWF Financial Comparison review. Based on our review, we noted opportunities for improvements as noted below.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Key Performance Indicators (KPI) - The Sheriff needs to establish a process/controls to ensure that the Department develops KPIs and other performance measures to track and evaluate the effectiveness of their IWF programs and periodically evaluate their programs with established KPIs and other performance measures to ensure the efficiency and effectiveness of the IWF programs and funding usage.</p> <p>We noted that the Sheriff generally relies on IWF program contractors to report back their progress and results of their programs. For example, contractors requesting additional funding for existing programs are generally required to provide statistics and progress reports to demonstrate the ongoing value of the program. However, the Department does not have specific and detailed KPIs (e.g., number of inmates that</p>	<p>Priority 1 - Sheriff management establish a process and control to ensure that the Department:</p> <ul style="list-style-type: none"> a) Develops KPIs and other performance measures to track and evaluate the effectiveness of their IWF programs. b) Periodically evaluates IWF inmate programs with established KPIs and other performance measures. <p>Department Response: Partially Agree Implementation Date: June 25, 2021</p> <p>The Department's response (Attachment II) indicates that the Inmate Services Bureau (ISB) management is reviewing existing programs and will determine the feasibility of developing KPI's</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>enroll and graduate from the program) in place to track and evaluate the performance of IWF programs.</p> <p>Impact: For FY 2018-19, the Sheriff had total net program expenditures of approximately \$19.4 million. This weakness increases the potential that IWF programs are not meeting desired goals and objectives and shifts in inmate program service needs will not be detected and addressed timely. In addition, this prevents the Sheriff from measuring the level of success for their IWF programs.</p>	<p>and evaluating the programs on a regular basis. With the current curtailed budget, potential future additional budget reductions, and current reduced staffing levels this may have to be postponed.</p> <p>Extension Justification Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the Auditor-Controller's (A-C) standard corrective action timeframe.</p>
<p>2 Funding Allocation - As mentioned, the CPC requires IWF monies to be used for the benefit, education, and welfare of inmates confined within the jail and any funds not needed for the welfare of inmates may be used for jail maintenance expenditures.</p> <p>The Sheriff has historically and continues to allocate 51% of IWF revenue to inmate programs and 49% to jail maintenance. However, the Sheriff needs to establish a process/control to ensure the Department performs periodic IWF assessments of the overall inmate program needs and other expenditures for the direct benefit/welfare of inmates to ensure the current allocation percentages for inmate programs and jail maintenance is appropriate and in compliance with the CPC. In addition, the Department should ensure they continue to evaluate and consider adjustments to the IWF allocation based on the periodic Fund assessments and program evaluations.</p> <p>We noted that the Sheriff continues to allocate IWF revenues between inmate programs (51%) and jail maintenance (49%) at the same percentages each year. Sheriff's management does not periodically review the current IWF program needs and other goods/services that directly benefit inmates in County jail facilities to evaluate/consider potential allocation adjustments to the percentage of funding assigned to inmate programs and jail maintenance.</p> <p>Impact: For FY 2018-19, the Sheriff allocated approximately \$18 million to inmate programs and \$17.2 million to jail maintenance, respectively. This increases the potential that the 51% of IWF revenues allocated to inmate programs may not be sufficient to meet the required program funding needs.</p>	<p>Priority 1 - Sheriff management establish a process and control to ensure that the Department:</p> <ul style="list-style-type: none"> a) Performs periodic IWF assessments of the overall inmate program needs and other expenditures for the direct benefit/welfare of inmates to ensure that the current allocation percentages for inmate programs and jail maintenance is appropriate. b) Annually evaluates and considers adjustments to the IWF allocations based on the periodic Fund assessments and program evaluations. <p>Department Response: Partially Agree Implementation Date: June 25, 2021</p> <p>The Department's response (Attachment II) indicates that the ISB management along with the IWC and County Counsel review all projects/programs ensuring they meet the requirements in CPC Section 4025, and that sufficient funds exists to cover program costs.</p> <p>Adjustments to the allocation of the IWF is at the discretion of the Sheriff.</p> <p>AUDITOR RESPONSE While the ISB management monitors the funds in the IWF, the Department does not periodically evaluate whether the current allocation percentages are appropriate. We continue to believe that Sheriff's management should perform periodic assessments of the overall inmate program needs, other expenditures and annually evaluate adjustments to IWF allocations based on</p>

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	<p>the periodic Fund assessments. Management should present any proposed adjustments to the Sheriff for review/approval.</p> <p>Extension Justification Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the A-C's standard corrective action timeframe.</p>
<p>3 Annual Itemized Expenditure Report - The Sheriff needs to establish a process to ensure that an itemized IWF expenditure report is submitted annually to the Board of Supervisors (Board) to ensure they are aware of the Fund uses, as required by CPC Section 4025.</p> <p>We noted the Sheriff generally has an outside Certified Public Accounting firm conduct IWF financial/compliance audits, which include an itemized summary of expenditures. However, we noted these reviews are performed and provided biennially, instead of annually. As of April 2020, the FY 2015-16 audit was the last year the IWF expenditures were reported to the Board.</p> <p>Impact: For FY 2018-19, the Sheriff IWF expenditures totaled approximately \$31.2 million. This weakness prevents the Board from identifying the annual IWF expenditures (e.g., services and supplies, programs, and maintenance). In addition, this reporting is in non-conformance with CPC Section 4025, which requires the annual reporting of expenditures.</p>	<p>Priority 2 - Sheriff management establish a process to ensure that an itemized IWF expenditure report is submitted annually to the Board.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Extension Justification Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the A-C's standard corrective action timeframe.</p>
<p>4 Expenditure Accruals - The Sheriff needs to strengthen their IWF expenditure accruals reporting process to ensure that Salaries and Employee Benefits (S&EB) costs are accrued throughout the fiscal year and reported to the IWC accordingly to ensure the Commission has current and up-to-date expenditure information for decision-making purposes.</p> <p>We noted the Sheriff has a process to ensure IWF revenues and expenditures are reported to the IWC on a monthly IWF business report. However, the Sheriff does not accrue and report S&EB expenditures on an ongoing (monthly) basis to the IWC. Specifically, we noted the Sheriff requested reimbursement to compensate the general fund for the entire \$13.1 million in IWF's S&EB costs in the 13th period of FY 2017-18,</p>	<p>Priority 2 - Sheriff management strengthen their IWF expenditure reporting processes to ensure that S&EB costs are accrued throughout the fiscal year and reported to the IWC accordingly.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Extension Justification: Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the A-C's standard corrective action timeframe.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

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<p>even though the services provided, and the costs were incurred throughout the fiscal year.</p> <p>Impact: Potential for misinterpretation by the IWC of available IWF funding. In addition, it prevents management from properly monitoring IWF budgets and expenditures throughout the year.</p>	
<p>5 Management Monitoring of Internal Controls - For the following areas, Sheriff should develop self-monitoring processes are in place to regularly monitor and document that processes and controls are working as intended, as required by County Fiscal Manual (CFM) Section 1.0.2. Specifically, they need to periodically:</p> <ul style="list-style-type: none"> • Determine implementation status of established KPIs • Review and evaluate funding allocations • Review the Annual Itemized Expenditure Report • Ensure the timely accrual of expenditures <p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 - 10 transactions weekly, quarterly, semi-annually) to ensure adherence to the CPC, policy, rules and/or generally accepted control principles, periodic monitoring of fund spending trends for adherence to budgetary goals, and documenting and retaining evidence of this review in such a manner that a third-party can subsequently validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.</p> <p>Impact: This weakness prevents management from having reasonable assurance that important departmental and Fund objectives are being achieved. In addition, it increases risk for not promptly identifying and correcting any processes/control weaknesses or instances of non-compliance with State, departmental, and County guidelines.</p>	<p>Priority 2 - Sheriff management develop ongoing self-monitoring processes that include:</p> <ol style="list-style-type: none"> Examination of process and control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to established procedures and internal controls, County rules, and best practices. Documenting the monitoring activity and retaining evidence so it can be subsequently validated. Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented. <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Extension Justification Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the A-C's standard corrective action timeframe.</p>

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<p>6 Standards and Procedures - Sheriff needs to ensure written standards and procedures adequately guide supervisors and staff in the performance of their duties, as required by CFM Section 8.3.0. Specifically, the Department needs to develop written standards and procedures for:</p> <ul style="list-style-type: none"> • Evaluating the allocation of Fund revenues • Ensuring that an itemized IWF expenditure report is submitted annually to the Board • Accrual of IWF expenditures • Self-monitoring processes noted in Issue No. 5 <p>Standards and Procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and require an audit trail of key events where practical. For example, procedures for the Sheriff's accruals of IWF expenditures should describe duties, such as identifying S&EB Fund expenditures for the most recently completed month and ensuring that the IWF monthly business reports are updated timely.</p> <p>Impact: Potential for management and/or staff to perform tasks, such as budgeting and proper approval of expenditures, incorrectly or inconsistently, and increased effort required to train new staff to perform these processes to ensure accurate data/information is provided to the State, etc. Prevents management from effectively evaluating processes and control environments.</p>	<p>Priority 2 - Sheriff management establish written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all key IWF processes and controls.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Extension Justification Due to the impact of COVID-19, personnel curtailments, and budgetary restraints, Sheriff management indicated that their estimated implementation date exceeds the A-C's standard corrective action timeframe.</p>
<p>7 IWC Jail Maintenance Oversight - The Sheriff needs to consider extending the IWC's authority to include oversight over IWF jail maintenance expenditures to ensure appropriate oversight of all Fund revenues to the extent possible/practical.</p> <p>We noted that the IWC provides oversight of the 51% of IWF revenues allocated to program expenditures. However, the Commission does not have any authority and/or oversight over the 49% of revenues allocated to jail maintenance. Specifically, the IWC's involvement in IWF jail maintenance expenditures is limited to briefings of these expenditures at the Commission meetings and monthly cost report summaries.</p>	<p>Priority 2 - Sheriff's management consider extending the IWC's authority to include oversight over IWF jail maintenance expenditures to ensure appropriate oversight of all Fund revenues to the extent possible/practical.</p> <p>Department Response: Not Applicable Implementation Date: The Department has not provided.</p> <p>The Department's response (Attachment II) indicates that the decision can only be made by the Sheriff.</p>

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<p>Impact: For FY 2018-19, the Sheriff's reported total jail maintenance expenditures of approximately \$11.8 million (\$5.3 million for S&EB and \$6.5 million for services and supplies). This weakness prevents the IWC from effectively administering and managing the entire Fund expenditures. In addition, it increases the potential for inappropriate use of the IWF for jail maintenance expenditures.</p>	<p>AUDITOR RESPONSE While we agree that a change to extend the IWC's authority is at the discretion of the Sheriff, the use of Sheriff's management in our recommendation is inclusive of the Sheriff. Therefore, we continue to believe that the Sheriff should consider extending the IWC's authority over IWF jail maintenance costs as recommended.</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.



OFFICE OF THE SHERIFF

COUNTY OF LOS ANGELES

HALL OF JUSTICE

ALEX VILLANUEVA, SHERIFF



January 26, 2021

Arlene Barrera, Auditor-Controller
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012

Dear Ms. Barrera:

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT'S INMATE WELFARE FUND PROCESS REVIEW

Attached is the Los Angeles County Sheriff's Department's (Department) Inmate Welfare Fund Process Review.

The Department is in partial agreement with the report findings and will implement the report recommendations.

Should you have any questions, please, contact Assistant Division Director Glen Joe, Administrative Services Division, at (213) 229-3305.

Sincerely,

ALEX VILLANUEVA, SHERIFF

A handwritten signature in blue ink, appearing to read "Timothy K. Murakami".

TIMOTHY K. MURAKAMI
UNDERSHERIFF

211 WEST TEMPLE STREET, LOS ANGELES, CALIFORNIA 90012

A Tradition of Service
— Since 1850 —

LOS ANGELES COUNTY
AUDITOR-CONTROLLER

Attachment I
Page 1 of 5

Peter Hughes ASSISTANT AUDITOR-CONTROLLER	Mike Pirolo DIVISION CHIEF
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AUDIT DIVISION

Report #K18FJ

SHERIFF'S DEPARTMENT - INMATE WELFARE FUND PROCESS REVIEW

BACKGROUND

The Sheriff's Department (Sheriff or Department) administers and oversees the Inmate Welfare Fund (IWF or Fund) in accordance with California Penal Code (CPC) Section 4025, which is primarily funded through commissions received from inmate commissary sales and telephone services. The Inmate Welfare Commission (IWC or Commission) oversees IWF program expenditures and generally meets monthly to discuss planned program funding uses, addresses concerns regarding inmate care, etc. The Sheriff's Facility Services Bureau administers and oversees all IWF jail maintenance/upgrade expenditures. For Fiscal Year (FY) 2018-19, the Sheriff's net IWF expenditures totaled approximately \$31.2 million (reduced for the payments to the contractor for the cost of the commissary and vending items sold).

We reviewed the design of the Department's processes and controls over their IWF. Our review included interviewing management and staff, examining policies and procedures, and conducting detailed walkthroughs of IWF processes. Our review did not include an evaluation of the Sheriff's usage of IWF revenues, whether Fund expenditures complied with the CPC, etc. The Sheriff plans to hire an independent accounting firm to perform a financial/compliance audit for FY 2016-17 through FY 2018-19, which will cover some of these areas. In addition, we performed a multi-year revenue and expenditure comparison of the IWF and compared the Sheriff's Fund expenditures with other local counties under a separate cover in our Sheriff's IWF Financial Comparison review.

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ISSUE	RECOMMENDATION
<p>1 Key Performance Indicators (KPI) - The Sheriff needs to establish a process/controls to ensure that the Department develops KPIs and other performance measures to track and evaluate the effectiveness of their IWF programs and periodically evaluate their programs with established KPIs and other performance measures to ensure the efficiency and effectiveness of the IWF programs and funding usage.</p> <p>We noted that the Sheriff generally relies on IWF program contractors to report back their progress and results of their programs. For example, contractors requesting additional funding for existing programs are generally required to provide statistics and progress reports to demonstrate the ongoing value of the program. However, the Department does not have specific and detailed KPIs (e.g., number of inmates that graduate from the program and number of inmate sign ups) in place to track and evaluate the performance of IWF programs.</p> <p>Impact: For FY 2018-19, the Sheriff had total net program expenditures of approximately \$19.4 million. This weakness increases the potential that IWF programs are not meeting desired goals and objectives and shifts in inmate program</p>	<p>Priority 1 - Sheriff management establish a process and control to ensure that the Department:</p> <p>a) Develops KPIs and other performance measures to track and evaluate the effectiveness of their IWF programs.</p> <p>b) Periodically evaluates IWF inmate programs with established KPIs and other performance measures.</p> <p>Department Response: Partially Agree Implementation Date: June 25, 2021</p> <p>Inmate Services Bureau (ISB) management is reviewing existing programs and will determine the feasibility of developing KPI'S and evaluating the programs on a regular basis. With the current curtailed budget, potential future additional budget</p>

LOS ANGELES COUNTY
AUDITOR-CONTROLLER

	<p>service needs will not be detected and addressed timely. In addition, this prevents the Sheriff from measuring the level of success for their IWF programs.</p>	<p>reductions, and current reduced staffing levels this may have to be postponed.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective action's implementation date as indicated.</p>
<p>2</p>	<p>Funding Allocation - The CPC requires that IWF monies are to be used for the benefit, education, and welfare of inmates confined within the jail and any funds not needed for the welfare of inmates may be used for jail maintenance expenditures.</p> <p>The Sheriff has historically and continues to allocate 51% of IWF revenue to inmate programs and 49% to jail maintenance. However, the Sheriff needs to establish a process/control to ensure that the Department performs periodic IWF assessments of the overall inmate program needs and other expenditures for the direct benefit/welfare of inmates to ensure that the current allocation percentages for inmate programs and jail maintenance is appropriate and in compliance with the CPC. In addition, the Department should ensure that they continue to evaluate and consider adjustments to the IWF allocation based on the periodic Fund assessments and program evaluations.</p> <p>We noted that the Sheriff continues to allocate IWF revenues between inmate programs (51%) and jail maintenance (49%) at the same percentages each year. Sheriff's management does not periodically review the current IWF program needs and other goods/services that directly benefit inmates in County jail facilities to evaluate/consider potential allocation adjustments to the percentage of funding assigned to inmate programs and jail maintenance.</p> <p>Impact: For FY 2018-19, the Sheriff allocated approximately \$18 million to inmate programs and \$17.2 million to jail maintenance, respectively. This increases the potential that the 51% of IWF revenues allocated to inmate programs may not be sufficient to meet the required program funding needs.</p>	<p>Priority 1 - Sheriff management establish a process and control to ensure that the Department:</p> <p>a) Performs periodic IWF assessments of the overall inmate program needs and other expenditures for the direct benefit/welfare of inmates to ensure that the current allocation percentages for inmate programs and jail maintenance is appropriate.</p> <p>b) Annually evaluates and considers adjustments to the IWF allocations based on the periodic Fund assessments and program evaluations.</p> <p>Department Response: Partially Agree Implementation Date: June 25, 2021</p> <p>ISB management along with the Inmate Welfare Commission and County Counsel review all projects/programs ensuring they meet the requirements in 4025 P.C. and that sufficient funds exists to cover program costs.</p> <p>Adjustments to the allocation of the IWF is at the discretion of the Sheriff.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective action's implementation date as indicated.</p>
<p>3</p>	<p>Annual Itemized Expenditure Report - The Sheriff needs to establish a process to ensure that an itemized IWF expenditure report is submitted annually to the Board of Supervisors (Board) to ensure that they are aware of the Fund uses, as required by CPC Section 4025.</p>	<p>Priority 2 - Sheriff management establish a process to ensure that an itemized IWF expenditure report is submitted annually to the Board.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p>

LOS ANGELES COUNTY
AUDITOR-CONTROLLER

<p>We noted that the Sheriff generally has an outside Certified Public Accounting firm conduct IWF financial/compliance audits, which include an itemized summary of expenditures. However, we noted that these reviews are performed and provided biennially, instead of annually. As of April 2020, the FY 2015-16 audit was the last year the IWF expenditures were reported to the Board.</p> <p>Impact: For FY 2018-19, the Sheriff IWF expenditures totaled approximately \$31.2 million. This weakness prevents the Board from identifying the annual IWF expenditures and from identifying the annual IWF uses and programs. In addition, this reporting is in non-conformance with CPC Section 4025, which requires the annual reporting of expenditures.</p>	<p>The Department will work with the appropriate County departments, as needed, to determine how this recommendation shall be met. To the extent additional staff resources are determined to be necessary as a result of this recommendation and other additional/new responsibilities required of the Department the Department will work with the County's Chief Executive Office to secure the additional, necessary staff resources.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective action's implementation date as indicated.</p>
<p>4 Expenditure Accruals - The Sheriff needs to strengthen their IWF expenditure accruals reporting process to ensure that Salaries and Employee Benefits (S&EB) costs are accrued throughout the fiscal year and reported to the IWC accordingly to ensure that the Commission has current and up-to-date expenditure information for decision-making purposes.</p> <p>We noted that the Sheriff has a process to ensure that IWF revenues and expenditures are reported to the IWC on a monthly IWF business report. However, the Sheriff does not accrue and report S&EB expenditures on an ongoing (monthly) basis to the IWC. Specifically, we noted that the Sheriff requested reimbursement to compensate the general fund for the entire \$13.1 million in IWF's S&EB costs in the 13th period of FY 2017-18, even though the services provided and the costs were incurred throughout the fiscal year.</p> <p>Impact: Potential for misinterpretation by the IWC of available IWF funding. In addition, it prevents management from properly monitoring IWF budgets and expenditures throughout the year.</p>	<p>Priority 2 - Sheriff management strengthen their IWF expenditure reporting processes to ensure that S&EB costs are accrued throughout the fiscal year and reported to the IWC accordingly.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Effective immediately, S & EB costs are transferred quarterly to the County General Fund.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective action's implementation date as indicated.</p>
<p>5 Management Monitoring of Internal Controls - For the following areas, Sheriff should develop self-monitoring processes are in place to regularly monitor and document that processes and controls are working as intended, as required by County Fiscal Manual (CFM) Section 1.0.2. Specifically, they need to periodically:</p> <ul style="list-style-type: none"> • Determine implementation status of established KPIs • Review and evaluate funding allocations • Review the Annual Itemized Expenditure Report • Ensure the timely accrual of expenditures 	<p>Priority 2 - Sheriff management develop ongoing self-monitoring processes that include:</p> <p>a) Examination of process and control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to established procedures and internal controls, County rules, and best practices.</p>

LOS ANGELES COUNTY
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<p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 - 10 transactions weekly, quarterly, semi-annually) to ensure adherence to the CPC, policy, rules and/or generally accepted control principles, periodic monitoring of fund spending trends for adherence to budgetary goals, and documenting and retaining evidence of this review in such a manner that a third-party can subsequently validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.</p> <p>Impact: This weakness prevents management from having reasonable assurance that important departmental and Fund objectives are being achieved. In addition, it increases risk for not promptly identifying and correcting any processes/control weaknesses or instances of non-compliance with State, departmental and County guidelines.</p>	<p>b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated.</p> <p>c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Sheriff management will review the feasibility of instituting a self-monitoring process. Completion of this review will be based on available staffing levels and may be impacted or delayed by future budget/staff reductions and/or the unavailability of personnel due to staff shortages/vacancies.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective action's implementation date as indicated.</p>
<p>6 Standards and Procedures - Sheriff needs to ensure written standards and procedures adequately guide supervisors and staff in the performance of their duties, as required by CFM Section 8.3.0. Specifically, the Department needs to develop written standards and procedures for:</p> <ul style="list-style-type: none"> • Evaluating the allocation of Fund revenues • Ensuring that an itemized IWF expenditure report is submitted annually to the Board • Accrual of IWF expenditures • Self-monitoring processes noted in Issue No. 5 <p>Standards and Procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and require an audit trail of key events where practical. For example, procedures for the Sheriff's accruals of IWF expenditures should describe duties, such as identifying S&EB Fund expenditures for the most recently completed month and ensuring that the IWF monthly business reports are updated timely.</p>	<p>Priority 2 - Sheriff management establish written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all key IWF processes and controls.</p> <p>Department Response: Agree Implementation Date: July 25, 2021</p> <p>Sheriff management will establish written desk standards and procedures. As noted previously, completion of these tasks will be based on available staffing levels and may be impacted or delayed by future budget/staff reductions and/or the unavailability of personnel due to staff shortages/vacancies.</p> <p>Extension Justification: With the impact of COVID-19, personnel curtailments, and budgetary restraints, the Department is requesting an extension on the corrective</p>

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	<p>Impact: Potential for management and/or staff to perform tasks, such as budgeting and proper approval of expenditures, incorrectly or inconsistently, and increased effort required to train new staff to perform these processes to ensure accurate data/information is provided to the State, etc. Prevents management from effectively evaluating processes and control environments.</p>	<p>action's implementation date as indicated.</p>
<p>7</p>	<p>IWC Jail Maintenance Oversight - The Sheriff needs to consider extending the IWC's authority to include oversight over IWF jail maintenance expenditures to ensure appropriate oversight of all Fund revenues to the extent possible/practical.</p> <p>We noted that the IWC provides oversight of the 51% of IWF revenues allocated to program expenditures. However, the Commission does not have any authority and/or oversight over the 49% of revenues allocated to jail maintenance. Specifically, the IWC's involvement in IWF jail maintenance expenditures is limited to briefings of these expenditures at the Commission meetings and monthly cost report summaries.</p> <p>Impact: For FY 2018-19, the Sheriff's reported total jail maintenance expenditures of approximately \$11.8 million (\$5.3 million for S&EB and \$6.5 million for services and supplies). This weakness prevents the IWC from effectively administering and managing the entire Fund expenditures. In addition, it increases the potential for inappropriate use of the IWF for jail maintenance expenditures.</p>	<p>Priority 2 - Sheriff's management consider extending the IWC's authority to include oversight over IWF jail maintenance expenditures to ensure appropriate oversight of all Fund revenues to the extent possible/practical.</p> <p>Department Response: N/A Implementation Date:</p> <p>This is a decision that can only be made by the Sheriff.</p>