



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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ACC | **AUDITOR**
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COUNTY OF RIVERSIDE

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June 29, 2018

Honorable Becky L. Dugan
Presiding Judge
Superior Court of California, County of Riverside
4050 Main Street
Riverside, CA 92501

Reference: Response to 2017-2018 Grand Jury Report: Riverside County Sheriff's Corrections
Division Inmate Welfare Fund

Dear Judge Dugan:

Pursuant to California Penal Code Section 933 et seq., please find enclosed the response of the Riverside County Auditor-Controller's Office to the above Grand Jury Report within the designated 90-day period.

The Riverside County Auditor-Controller's Office is only responding to recommendation 10b because all other findings and recommendations referenced in the Grand Jury report do not pertain to our office. Based on the results explained under finding 10 of the Grand Jury report, we partially concur with recommendation 10b regarding our office's ability and willingness to annually audit the Inmate Welfare Fund.

Respectfully,


Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Cc: Riverside Grand Jury
Riverside County Clerk-Recorder

Finding 10: Inadequate Audits

Audits are conducted on the IWF with the purpose of increasing transparency. IWF Bylaw Section B-Audits states:

The Corrections Division Administrative Manager (FINANCE) will monitor and perform a monthly audit of all IWF expenditures and prepare pertinent management reports for the IWF. A non-County entity or outside accounting firm shall conduct an annual audit of the IWF [sic]

The Corrections Administrative Manager (FINANCE) will initiate and coordinate with the Sheriff's Contracts Unit a request for quote for audit services in accordance with Riverside County Purchasing guidelines. These entities with the approval and concurrence of the Corrections Chief Deputy for Support Services will select the outside accounting firm to prepare said audit. To avoid exclusivity, the accounting firm will rotate every three years.

Part C – Annual Report States:

The Corrections Administrative Manager (FINANCE) will be responsible for the preparation of an annual report of all revenue, expenditures, current balance, and transactions of the IWF. An itemized report of expenditures will be included in the public information plan for each facility. Pursuant to 4025(e) of the Penal Code, the itemized expenditure report and a copy of the annual IWF audit will be submitted annually to the County Board of Supervisors.

All audits are only distributed within the IWFC and thereby lack independent scrutiny or oversight during the year. The monthly audits are neither reviewed nor monitored by the Assistant Sheriff of Corrections of the Undersheriff or any other neutral party.

The independent audits conducted annually focus strictly on accounting of numbers and as such, do not address internal controls.

Internal Controls provide guidance for establishing and maintaining an effective system of operations and accounting principles in accordance with the County's policies. Internal controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Safeguarding assets
2. Ensuring accuracy, reliability and timeliness of financial records
3. Promoting adherence to policies, procedures, regulations and laws
4. Promoting effectiveness and efficiency of operations

The Grand Jury has found no independent and comprehensive audit that focused on internal control, or reviews of the daily business operation of the fund. Considering the breadth and magnitude of the IWF, these internal controls are vital to effective management of the fund. As currently contracted and performed, the audits are inadequate to properly ascertain that the fund is being used appropriately.

Annual Reports send to the BOS do not include information regarding the total revenues, the profit margin, what the reserve accounts are used for, and whether the expenditures for each area are appropriate. The only categories listed are expenditures. There is no comprehensive narrative explaining any of the expenditures or any other aspects of the fund, so the report is of limited value in its scope, and does a disservice to the BOS who should have a comprehensive explanation of what is happening with the IWF.

Recommendation 10b:

The Riverside County Auditor-Controller's Office can, and is willing to, conduct its own comprehensive annual audit of the IWF at no cost to the Sheriff's Department. This review shall be under the Risk Assessment criteria to assess the efficiency and appropriateness of the IWF, the risk of the misuse of fraud, the lack of effective internal controls, and to make recommendations to correct deficiencies. This process would enhance transparency and should augment the independent audit requirement.

Response to Recommendation:

Respondent partially concurs with recommendation 10b.

Riverside County Auditor-Controller's Office is willing to conduct audits of the Inmate Welfare Fund. However, it will be done through our biennial audit to avoid extra charges.