

Salt Lake County Auditor's Office

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Aaron Kennard, County Sheriff
Salt Lake County Sheriff's Office
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Dear Aaron,

We recently completed an audit of the inmate trust account at the Salt Lake County Metropolitan Jail (Metro). We also conducted a review of unclaimed property, fixed and controlled assets, the Keefe Supply Company commissary contract, and individual inmate accounts within the Keefe System. We found internal controls to be generally adequate. The following sections of the letter address some areas that need improvement.

CASH HANDLING, RECEIPTING AND DEPOSITING

Our audit included examining cash handling procedures to determine whether Countywide Policy #1062, "Management of Public Funds," is followed. The main focus of our review was the inmate trust account, an accumulation of money taken from inmates at booking, and additional contributions from inmate's family, friends, or other visitors. This additional money is received during visits, through the mail, or can be transferred from other penal institutions if an account balance for the inmate exists there. Inmates use funds credited to their individual accounts to pay for services or commissary items they receive during incarceration.

We found cash receipting and depositing to be generally in compliance with Policy 1062. We reviewed a sample of daily deposits and compared them to bank records and found that each had been deposited in the bank. The process for receiving and disbursing inmate funds into or out of the inmate trust account is improved from the process that was in place at the old Metro Jail.

We were especially impressed with the steps taken by the supervisor of the inmate funds to account for and control the biohazard funds, money contaminated by blood, urine, etc., that are received from inmates upon booking. The bank requires these funds to be handled separately from other funds deposited into the inmate trust account. Before crediting the funds to the trust account the bank first has to clean the money. Once the money is cleaned the bank deposits it into the trust account. Ensuring that the bank deposits the funds into the inmate trust account is a tedious process. The supervisor has a system in place to make sure the funds are deposited.

During our review we found a few areas where improvements can be made. Our findings in this area include the following:

- **The \$300 change fund was used to establish the \$1,000 inmate release fund.**
- **At the time the mail is opened, a log is not prepared detailing the amounts received.**

The \$300 change fund was used to establish the \$1,000 inmate release fund. At the time of our unannounced cash count of the \$300 change fund, we found that the fund was used to set-up a \$1,000 inmate release fund at the new Metro Jail. The \$300 fund was originally assigned to Oxbow Jail, but was no longer needed there because the jail was closed.

In order to increase the release fund at the Metro Jail to \$1,000, the remaining \$700 was taken from a deposit to the inmate trust account. The fund is replenished to the \$1,000 balance by decreasing the amount deposited into the inmate trust account. We counted the \$1,000 release fund and found that cash on hand plus disbursement vouchers balanced to \$1,000.

The purpose for the \$1,000 fund, along with the purpose for the original \$300 change fund at Oxbow Jail, is to reimburse inmates, at the time of their release, for funds in their commissary account. An inmate is reimbursed with cash if the amount in his/her account is \$5 or less. Any funds in the inmate account over \$5 are paid to the inmate with a check.

In our discussions with the Sheriff's Fiscal Division, we agreed that the \$300 change fund will be turned back into the Auditor's Office and the \$1,000 release fund will be replenished through inmate deposits. This is because the release fund does not meet the definition of a change fund as stated in Countywide Policy #1203, "Petty Cash and Other Imprest Funds," Policy 1203 states, "*Change funds are established to provide cash for the purpose of making change when processing over-the-counter cash receipts.*" Replenishing the release fund through inmate deposits will keep inmate funds and County funds separate.

ACTION TAKEN:

The \$300 change fund has been closed and the authorized amount was returned to the Auditor's Office.

At the time the mail is opened, a log is not prepared detailing the amounts received. All mail delivered to the jail goes through the jail mailroom where two clerks open the mail and staple any inmate payments received to the corresponding envelope. The clerks also initial the envelopes but do not log the receipts. The envelope and remittance are placed in a small, locked box that sits on the table by the supervisor.

The supervisor alone prepares a log of the remittances and takes the log and funds to the visiting area clerk or the processing clerk, who gives the supervisor a receipt. The supervisor and clerk initial the log to verify that funds were transferred to the clerk. The clerk includes the funds in the deposit and inputs the amounts received into the Keefe system to credit the intended inmate account.

Even though two clerks open the mail, and initial the envelopes, a risk still exists of funds being mishandled. If a payment envelope is destroyed or misplaced, a paper trail to trace

the payment does not exist. To strengthen controls, the two clerks who open the mail can prepare and initial a daily log. They can include a copy of the log with the funds placed in the lock box on the supervisor's desk. The mailroom supervisor can then review the log and initial it and deliver the log and funds to the clerk in processing or visiting. With the suggested controls in place, employees are protected and the risk of funds being mishandled is lowered.

RECOMMENDATION:

We recommend that the two clerks who open the mail log inmate funds at the time of receipt.

UNCLAIMED PROPERTY IN THE INMATE TRUST ACCOUNT

Checks are issued to inmates or others on their behalf, from the Inmate Trust checking account. If any of those checks are not cashed and remain outstanding for at least one year, the funds obligated by those outstanding checks come under the purview of the Utah State Unclaimed Property Act. We reviewed current practices for handling stale inmate funds and found the following deficiencies where action is needed.

- **The Sheriff's Office "Prisoner Funds Policy and Procedures Manual," is not consistent with Utah State statute regarding unclaimed property.**
- **No report or transmittal of funds has been submitted from the Inmate Trust account, for the May 1, 2003, deadline.**

The Sheriff's Office "Prisoner Funds Policy and Procedures Manual," is not consistent with Utah State statute regarding unclaimed property. The current Sheriff's "Prisoner Funds Policy and Procedures Manual," under the heading "Procedure for UPARS (Unclaimed Property Automated Reporting System)," states, "*Twice every year we send all checks that have not cleared the bank to the state by providing a check and a detailed report to the Salt Lake County Treasurer's Office. This [is] done by going into each individual account in the Keefe Commissary System and voiding outstanding checks which are older than 6 months... When all the information has been entered in the UPARS software, that information is downloaded on a disk. That disk along with the check for the total amount of unclaimed checks will be sent to the state.*"

The "Utah State Unclaimed Property Act," Utah Code 67-4a requires, "*that a holder report to the State Treasurer, property which is presumed to be "abandoned" or "unclaimed" after the stated dormancy period.*" Furthermore, Utah Code 67-4a-210 states, "*Any intangible property held by ... a county ... that remains unclaimed for more than one year after it became payable or distributable is considered abandoned.*" In summary, the Sheriff's Office manual requires the reporting of unclaimed property to occur twice each year but State statute only requires one report during the year, due May 1, for each calendar year.

RECOMMENDATION:

We recommend that the Sheriff's Office "Prisoner Funds Policy and Procedures Manual," be updated to coincide with State timing requirements.

No report or transmittal of funds has been submitted from the Inmate Trust account, for the May 1, 2003, deadline. On November 6, 2002, the Sheriff's Fiscal Division submitted its one and only unclaimed property report to the State since the Keefe System was implemented in 2000. The amount reported was \$31,335, and covered the year 2000 through March 2002.

Even though the unclaimed property report ultimately arrives at the State, it first is submitted to the County Treasurer's Office, which then makes an accumulation of all unclaimed property throughout the County for a consolidated report sent to the State. Treasurer's Office personnel stated they typically prefer to receive these reports no later than April 1 for transactions occurring in the previous calendar year ending December 31. Utah Code 67-4a-301, "Report of Abandoned Property," states, "*file a report concerning the property with the administrator before May 1 of each year as of the preceding December 31 containing the information required.*" By submitting the report by April 1, the Treasurer's Office will have time to make a consolidated report and forward it on to the State by the May 1 deadline.

RECOMMENDATION:

We recommend that an unclaimed property report and transmittal of funds be submitted to the Treasurer no later than April 1 for unclaimed property occurring in the previous calendar year ending December 31.

FIXED AND CONTROLLED ASSETS

Our purpose for this portion of the audit was to determine if the controls over County fixed and controlled assets were in compliance with Countywide Policy #1125, "Safeguarding Property/Assets." By definition, a fixed asset is an individual item owned by the County, having an estimated life expectancy of more than two years, and meeting the criteria for capitalization. Currently, the capitalization threshold for individual personal property is equal to or greater than \$5,000.

A controlled asset is a personal property item, which is sensitive to conversion to personal use, having a cost of \$100 or greater, but less than the current capitalization threshold. Personal communication equipment is considered to be a controlled asset regardless of the cost of individual items. During our audit we found that:

- **An annual inventory of fixed and controlled assets is not being conducted as required by Policy 1125.**
- **Controlled assets are not consistently being added to the Salt Lake County Sheriff's Office controlled asset list.**
- **Accountability of controlled assets assigned to individual employees is not taking place.**
- **The Salt Lake County Sheriff's Office fixed and controlled asset lists were not consistently in the format required by policy, nor were required information entries on the forms consistent.**

An annual inventory of fixed and controlled assets is not being conducted as required by Policy 1125. We were unable to verify at the time of our audit that an annual inventory for 2002 had been completed for fixed and controlled assets. The property manager did not provide any physical evidence that an annual inventory had been conducted. He did explain that updating the inventory list is continuous. However, an annual physical inventory would keep the manager abreast of equipment moving from one location to another, such as the computers being moved from the Oxbow Jail to the Metro pre-booking area. When annual inventories are conducted there needs to be some physical evidence that it was accomplished. Policy 1125, Section 2.2.11, states, “*At least annually, conduct physical inventory of fixed assets and controlled assets, to ensure complete accountability for all property owned by, or assigned to the organization.*”

It should be pointed out that due to modifications of the County fixed assets system imposed by compliance with GASB 34, the Auditor’s Office for the year 2002 did not produce and forward to agencies the Fixed Asset Inventory By Organization Report AFIN 0801. As a result, the Auditor has not required that the annual report of inventory be provided by County organizations for 2002. However, this does not relieve agencies of the responsibility of following the policy requirement that an annual inventory be completed and all applicable functions relating to the control of assets remain current.

RECOMMENDATION:

We recommend that an annual inventory of fixed and controlled assets be conducted.

Controlled assets are not consistently being added to the Salt Lake County Sheriff’s Office controlled asset list. We examined purchase requests from March 17, 2003, the date of the last purchase on the asset list we were given, through May 1, 2003, during the audit. We found 21 assets that were not on the current controlled asset list for Metro Jail.

Subsequently, we were given three other asset lists by Sheriff personnel to determine if the 21 assets might be included on those lists. One list included assets that had been located at Oxbow Jail before it closed and were moved to Metro Jail processing. Another list included assets that were assigned to the Sheriff’s Fiscal Division. The final list included computers that were located at Metro Jail. We did find 18 of the 21 assets included on the subsequent lists. The following three assets, located at the time of the audit, were not shown on any list:

Asset	Serial Number	Purchase Date	Sheriff Tag Number
LexMark T522 Printer	9901KR5	10/14/02	03285
LexMark Optra SE 3455 Printer	11-82P77	Not available	03286
Canon Copier	NVH09532	2000	03764

Policy 1125, Section 2.2.8, requires that agency property managers “*coordinate with the organization’s purchasing clerk to ensure all newly acquired property is identified and accountability is appropriately established.*”

RECOMMENDATION:

We recommend that all controlled assets be added to the list as the items are purchased.

Accountability of controlled assets assigned to individual employees is not taking place. The property manager at Metro Jail keeps a record of all the radios and to whom they are assigned. For the processing and commissary areas, 13 radios were in use at the time of our review. Only one individual's radio was different from the one shown assigned and all of the radios were on the provided list.

However, we were provided with no evidence that Policy 1125, Section 2.3.4, was being followed, which states, "...at least annually, employees assigned fixed or controlled assets shall review the list of assigned assets and provide verification by his/her signature to the Property Manager as to the accuracy and completeness of the list." Such verification should be in the form as provided by Section 4.3.1, and Exhibit 3 (see Attachment A) of the policy, or a form that contains substantially the same information.

RECOMMENDATION:

We recommend that all employees that have individually assigned assets complete the appropriate forms and review them annually.

The Salt Lake County Sheriff's Office fixed and controlled asset lists were not consistently in the format required by policy, nor were required information entries on the forms consistent. Most of the lists provided by the property manager were in the format required by policy. However, the list including the Compaq computers did not provide all of the required information. The other asset lists were not consistently completed, especially in the columns for date of purchase and cost of individual items.

All of the asset lists need to be in the correct format and all of the columns need to be completed as assets are added. Asset cost and purchase date, for example, are information items that can assist personnel in determining future budgeting costs and aging for potential replacement.

RECOMMENDATION:

We recommend that agency asset lists be in the required format, and that completion of the lists be in accordance with Countywide Policy.

CONTRACT WITH KEEFE SUPPLY COMPANY

We reviewed the contract between Salt Lake County and Keefe Supply Company, which provides commissary services at Metro Jail. We also reviewed the Request for Proposal for furnishing commissary and inmate banking services for inmates of the Salt Lake County Jail System. We commend the Sheriff's Office on the efficient manner in which the commissary system is operated.

In the letter Keefe Supply Company included with their proposal for commissary services, they guaranteed that the County would be paid \$100,000 per year. The letter stated, "\$25,000 will be paid on a quarterly basis. Payments will be made on the first day of each new quarter." After reviewing the Detail Revenue Listing Report (AFINDR02) in the COLD system we found the following:

- **Since the contract began in 2000, Keefe Supply Company has submitted quarterly contract payments late 46 percent of the time.**

Since the contract began in 2000, Keefe Supply Company has submitted quarterly contract payments late 46 percent of the time. The County has received only 6 of 13 quarterly payments on time since the inception of the contract. Seven payments were received between 2 to 6 months late. As state above, Keefe has committed to submitting a \$25,000 payment on the first day of each new quarter.

When payments are submitted late, the County is unable to use the funds for jail operations, as needed, and interest is not being earned on the funds owed to the County. The Fiscal Manager in the Sheriff's Office responsible for the jail budget did not know why Keefe does not always submit payments on time. The fiscal manager stated that he e-mails Keefe when their payment is late to remind them it needs to be sent.

RECOMMENDATION:

We recommend that the Sheriff's Fiscal Division closely monitor the payments submitted by Keefe to ensure that they are being received on time.

INDIVIDUAL INMATE ACCOUNTS IN THE KEEFE SYSTEM

We reviewed the detail of 12 inmate accounts in the Keefe System. During the examination we checked for:

- Correct mathematical computations
- Application of commissary charges
- Collection of recoverable funds (Doctor co-pay, Dentist co-pay, prescription co-pay, DNA charges, welfare kits, damage restitution, etc.)
- Application of mail and visitor deposits

We commend the jail staff in maintaining the inmate accounts. A continuous effort is made to collect fees from inmates for services and items that are provided to them in the jail. During our examination we found that each account had commissary transactions and recoverable fee transactions. The accounts also had mail and visitor payments applied to the account balance. We found the following issues in inmate accounts that the Sheriff's Fiscal Division may need to address:

- **In two inmate accounts that had transactions dating back to 1999, errors occurred in applying payments to the owed amount.**

In two inmate accounts that had transactions dating back to 1999, errors occurred in applying payments to the owed amount. During our examination of a sample of inmate accounts we found two accounts in which payments were made to reduce the amount owed but the amount in the owed balance column was not reduced. There were deposits made through visiting and the mail into the two accounts and 50 percent of those funds were not used to reduce the 1999 owed balance. The two accounts have carried forward an owed balance from the 1999 charges that have not been resolved with many deposits that have occurred to date. Both inmates were in jail at the end of April 2003.

Aaron Kennard, County Sheriff

July 28, 2003

Page 8

RECOMMENDATION:

We recommend that the Sheriff's Fiscal Division ensure that computations and payment applications in inmate accounts with transactions during 1999 were applied correctly.

We appreciate the cooperation and assistance we received from the Sheriff's Fiscal Division and the Metro Jail staff during our audit. We are confident our work will be of benefit to you as you endeavor to make changes that will strengthen internal controls at Metro Jail. If we can be of further assistance to you in this regard, please contact us.

Sincerely,

James B. Wightman, CPA
Director, Internal Audit Division

