

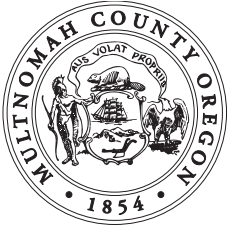
Managing Inmate Funds
December 2011

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Multnomah County Auditor

Audit Staff
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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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Subject: Managing Inmate Funds Audit

The Multnomah County Sheriff's Office manages inmate-related funds for those incarcerated in County jails. While different, there are three interrelated areas: Inmate Trust Accounts; Inmate Welfare Funds; and Commissary. Inmate Trust Accounts are funds held in trust for those in custody, with any balances returned upon release. The Commissary sells a variety of products to inmates with any profits going to the Inmate Welfare Fund which pays for enhanced inmate programs and activities. This audit focused largely on the processes for managing cash flowing into and out of Inmate Trust Accounts, but also examines some Inmate Welfare Fund issues. The audit did not look at commissary operations per se.

Funds come into the system when those booked are carrying cash or when friends or family bring money for inmates in custody for purchases, expenses or bail. Managing cash takes time to both handle and monitor, which we believe could be streamlined. The Sheriff's Office is currently investigating more efficient ways to handle both cash received at booking and from friends and family. Due to the current design of cash handling processes, a reconciliation of the Inmate Trust Accounts to both the bank and the County's financial system (SAP) cannot be practically accomplished. The Sheriff's Office is exploring changes to resolve reconciliation difficulties.

In terms of the use of the Inmate Welfare Funds, the Sheriff's Office is making improvements. They've reduced the number of law libraries and are working on a solution that will make these libraries more cost effective. They also approached the Board of County Commissioners to adopt a new Inmate Welfare Fund resolution that better identifies revenues and requires budget approval by the Inmate Welfare Committee. The Board adopted that resolution in April 2011.

We want to thank the Sheriff's Office staff who provided assistance in this report and its recommendations.

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Executive Summary

During FY11, the Sheriff's Office managed approximately \$3.7 million of inmate funds. Managing these funds involves three interrelated areas:

- **Inmate Trust Accounts** track each inmate's funds held in trust by the Sheriff's Office. Each inmate's receipts and charges are recorded in their trust account.
- The **Inmate Welfare Fund** pays for enhanced inmate programs and activities using funds generated by inmates.
- The **Commissary** sells a variety of products to inmates at competitive prices. All commissary profits go to the Inmate Welfare Fund.

This audit focuses largely on the processes for managing cash flowing into and out of inmate trust accounts. The audit also examines some key areas of the Inmate Welfare Fund but does not look at commissary operations. The audit's objectives related to inmate trust accounts are to determine whether:

- The processes for inmate cash deposits and disbursements are efficient
- Adequate controls are in place to fully account for cash flowing through inmate trust accounts
- Appropriate policy and procedures are in place

Inmates often have cash in their possession when they are booked. Friends or relatives may also bring money for inmates to the jails. Inmates use these funds for commissary purchases, health expenses, self-bail or other purposes.

Managing inmate cash takes time. Sheriff's Office personnel spend time counting, and receipting cash coming into the jails, recording it on the inmate accounting system and disbursing any

remaining funds in inmates' accounts when they are released from custody. The Sheriff's Office Fiscal Unit monitors all funds flowing through inmate accounts.

We found that processes for managing inmate funds could be streamlined and could better take advantage of current technologies. The Sheriff's Office is currently investigating more efficient ways to handle cash coming into the jails. They are also pursuing an alternative that would allow family or friends of inmates to purchase some commissary items online instead of bringing money to the jails. The Sheriff's Office could complement these efforts by continuing to seek other electronic alternatives to further reduce the amount of cash coming into the jails.

Due to the design of current cash handling processes the Fiscal Unit cannot reconcile the inmate accounting system to the bank and SAP each month. A monthly reconciliation is a fundamental control that is needed to detect any errors or missing funds. To compensate for the lack of a reconciliation, the Fiscal Unit takes alternative steps to ensure inmate account balances on the inmate accounting system are accurate. However, while controls are in place for inmate account balances, errors could still occur on SAP or cash could be missing.

Once a reconciliation is performed, the Fiscal Unit can pinpoint the amount of an accounting adjustment error in the Inmate Welfare Fund made in FY06. As a result of this error, the beginning working capital of the Inmate Welfare Fund is currently understated by approximately \$83,000 to \$86,000.

To increase security over inmate funds and to best fulfill their monitoring role, the Fiscal Unit should not handle cash. Under the current system, cash is sent to the Fiscal Unit where it is recounted before it is deposited to the bank.

Multiple Multnomah County Sheriff's Office Divisions and Units are responsible for handling inmate cash and tracking inmate

activity. The Sheriff's Office had updated written policies and procedures in some, but not all, Units involved processing inmate funds. All Units involved with inmate funds will need updated policy and procedures.

The audit's objectives specifically related to the Inmate Welfare Fund were to determine whether:

- Inmate law library responsibilities could be more cost effective
- Controls are in place to ensure that all revenue from phone calls is collected
- Appropriate policy and procedures are in place

The Sheriff's Office is making improvements to the Inmate Welfare Fund. The Sheriff's Office recently reduced the number of libraries in the jails and is currently pursuing a solution that will make their law libraries more cost effective while still meeting inmate needs. Another improvement was made in April 2011 when the Board adopted a new Inmate Welfare Fund resolution. The new resolution better describes revenue sources and requires approval of the annual budget and all expenditures by the Inmate Welfare Committee.

Some changes to the Inmate Welfare Fund are still needed. One of the functions of the Inmate Welfare Fund is to provide services for indigent inmates. Accordingly, all associated losses from indigent inmates should be recorded in the Inmate Welfare Fund. The Sheriff's Office should also update Inmate Welfare Fund policies and procedures in the Corrections Division manual to reflect current practices.

Background

From the time inmates are booked into custody until they are released from jail, the Sheriff's Office manages inmates' cash. Inmates often have cash in their possession when they are booked or later when their family or friends deposit cash on their behalf for commissary, self-bail or other purposes. Approximately \$3.7 million of inmate funds flowed through the jails in FY11.

Managing these funds involves three interrelated areas:

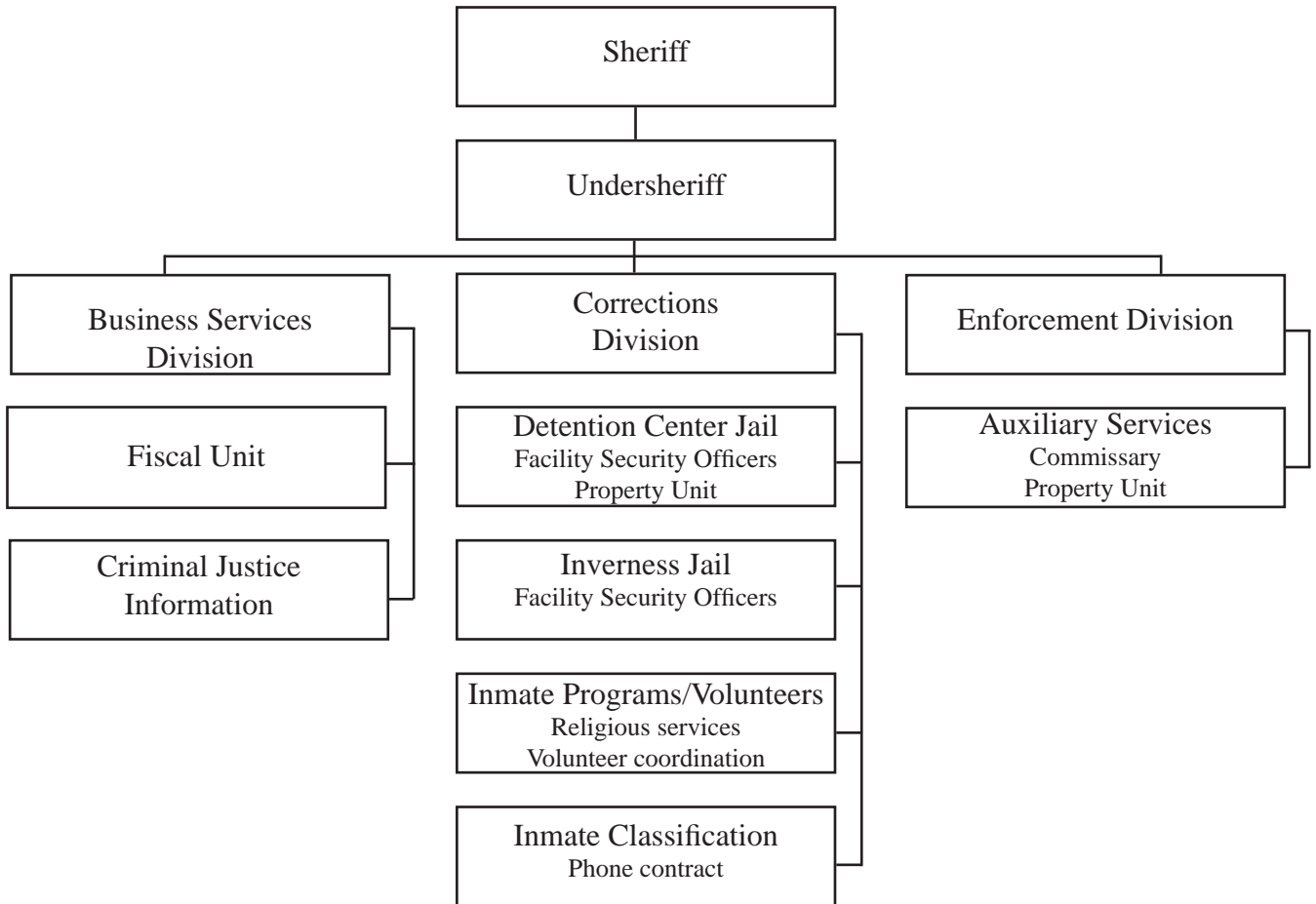
- **Inmate Trust Accounts** are essentially a banking service that the Sheriff's Office provides to manage inmate money held in trust.
- The **Inmate Welfare Fund** pays for enhanced inmate programs and activities using funds generated by inmates.
- The **Commissary** sells a variety of products to inmates at competitive prices.

This audit largely focused on how the Sheriff's Office manages inmate cash. Specifically, the audit's objectives related to managing inmate cash were to determine whether:

- The processes for inmate cash deposits and disbursements are efficient
- Adequate controls are in place to fully account for cash flowing through inmate trust accounts

As shown in Exhibit 1 below, multiple Multnomah County Sheriff's Office Divisions and Units are responsible for handling inmate cash and tracking inmate activity. Within the Corrections Division, the Detention Center and Inverness jails accept cash through Facility Security Officers. Auxiliary Service's Property Unit in the Enforcement Division manages inmate cash received at booking and cash disbursed when inmates are released or transferred from the Detention Center. Business Service's Fiscal Unit ensures accountability of inmate funds. The Criminal Justice Information Unit maintains the inmate accounting system.

Exhibit 1 Divisions and Units responsible for Inmate Welfare Funds



Source: Sheriff's Office

Inmate trust accounts

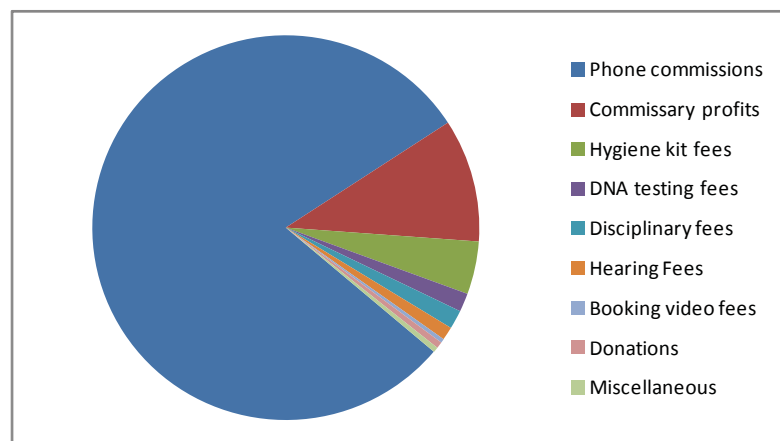
When an inmate is booked into custody, the Sheriff's Office sets up an individual account on the inmate accounting system where money in inmate's possession at the time of arrest can be securely deposited and used later by the inmate. Additional money may be brought to the Detention Center or Inverness jails by relatives or friends for deposit into the inmate's account. Inmates may spend the money in their accounts for self-bail, commissary items, health costs, or for other purposes.

Inmate Welfare Fund Inmate Welfare Fund monies are generated by inmates, and used for inmates. The Inmate Welfare Fund contributes to institutional tranquility in a variety of ways. Funds are spent for a Jail Chaplain to coordinate volunteer programs which meet prisoner needs regarding religious expression. A Volunteer Coordinator recruits volunteers for educational tutors, Alcoholics and Narcotics Anonymous sessions, interpreters, and counselors. Funds are used for law libraries in both jails to provide legal resources for inmates. Inmate Welfare funds are also used for a Fiscal Specialist for inmate accounting, indigent inmates, armored car services for money transport, movie videos and newspapers.

Exhibit 2 summarizes the sources of Inmate Welfare Fund revenues for FY10 and FY11. Revenues for the Inmate Welfare Fund include:

- Phone commissions (80%)
- Commissary profits (10%)
- Other sources (10%) –hygiene kit fees, DNA testing fees, disciplinary fees, hearing fees, other miscellaneous fees, and donations

Exhibit 2 Combined FY10 and FY11 Inmate Welfare Fund Sources of Revenue



Source: Auditor's Office analysis of Sheriff's Office data.

Inmate Welfare Fund phone commissions Inmate phone calls generate most of the Inmate Welfare Fund revenues. When inmates make phone calls, the person called is charged a fee, not the inmate. The person called has the option to accept or decline the call. Charges are a flat fee plus a per minute charge.

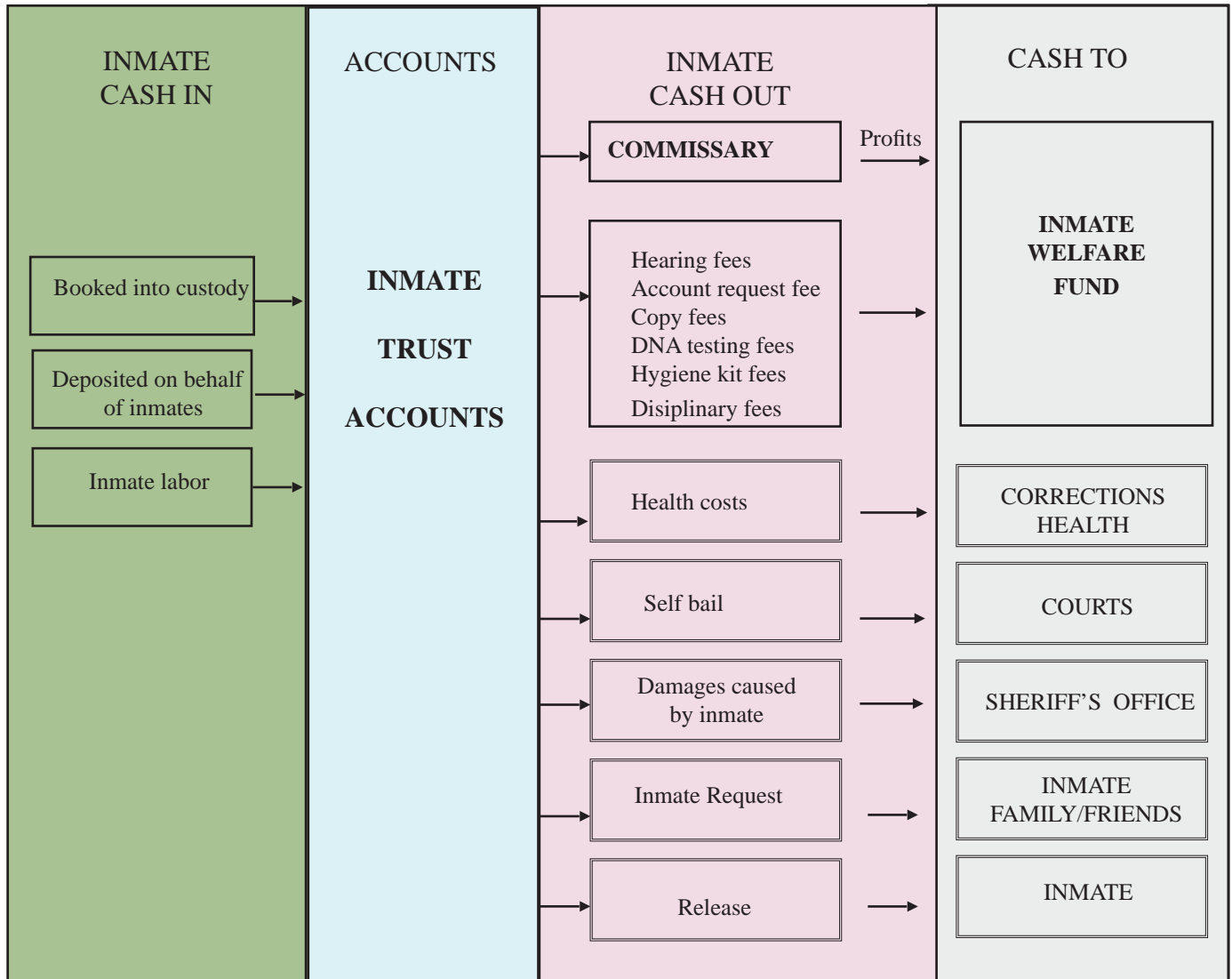
The Sheriff's Office Inmate Telephone Services Program is contracted out. The Sheriff's Office receives a percentage of call revenues and a signing bonus as part of awarding the phone contract. All phone equipment is owned and maintained by the contractor. There are approximately 90 phones at the Detention Center and 100 phones at Inverness Jail. Generally, inmates have access to phones from 8am to 11pm each day.

Commissary The Sheriff's Office Auxiliary Unit manages commissary operations for both jails. All profits from commissary sales go to the Inmate Welfare Fund. The commissary offers inmates products such as potato chips or candy bars at competitive prices. Inmates with money in their trust account may order commissary two times a week with a limit of \$50 per order. Indigent inmates are allowed to order specific commissary items twice a week such as shampoo, deodorant, toothpaste, toothbrush, or stamped envelopes regardless of their ability to pay.

The Auxiliary Unit has 3.73 FTE budgeted in FY12 to operate the commissary. Auxiliary Unit personnel purchase, receive and inventory goods, process inmate orders, deliver orders to the jails and record the activity on the inmate accounting system. During FY11, about 54,000 orders from inmates were filled. The commissary has been self-sustaining and has operated at a profit since its inception in the late 1970s.

The inmate trust accounts, Inmate Welfare Fund, and commissary are closely interrelated. Exhibit 3 shows these relationships and the flow of cash into and out of inmate trust accounts.

Exhibit 3 Interrelationship of Inmate Welfare Fund, Commissary and Inmate Trust Accounts



Source: Auditor's Office analysis

Cash in to inmate trust accounts As shown in Exhibit 3, cash is received when the inmate is booked into custody, when family or friends deposit cash on behalf of the inmate, or when the inmate receives money from performing inmate labor. Average monthly deposits into inmate accounts during the first 11 months of FY11 totaled \$308,178 or an estimated \$3.7 million a year.

The Auxiliary Service's Property Unit, Facility Security Officers, and Fiscal Unit process cash receipts. Exhibit 4 shows these Unit's cash handling tasks.

The Property Unit has three shifts and operates 24 hours a day, seven days a week. From July 2010 through May 2011, there were approximately 18,900 bookings involving 13,000 inmates having a total of \$1,086,000 cash in their possession at booking. Some inmates were booked multiple times during this time period and not all inmates booked had cash.

Facility Security Officers at the Detention Center and Inverness jails receive money from the inmates' family or friends. Family or friends may bring money to one of the jails at certain times of the day. Only cash, money orders government checks, payroll checks and cashiers checks are accepted. Including self-bail deposits, \$2.23 million was received from family or friends depositing money on behalf of inmates from July 2010 through May 2011.

Facility Security Officers at the Detention Center process all cash deposited by family or friends on the inmate's behalf for self-bail. Provided they are eligible, these deposits allow inmates to bail themselves out of jail. From July 2010 through May 2011 self-bail transactions totaled \$1.36 million.

The Fiscal Unit receives all cash and supporting documentation from both jails through an armored truck courier service. There is a delay from when the activity took place in the jails to when the Fiscal Unit receives the cash and supporting documentation from the courier. For example, cash received on a Friday and over the weekend at the Detention Center may not be delivered to the Fiscal Unit until the following Wednesday morning.

The Fiscal Unit is also responsible for ensuring that the inmate accounting system reconciles with the bank statement and the County's SAP system. Other duties include following up on inmate account inquires, recording hygiene kit transactions, managing inmate transport checks, and administering a periodic process to turn abandoned funds over to the State Division of Lands as required by law.

The Sheriff's Office pays inmates who work on the Corrections work crew \$1 for each day worked. However, no cash exchanges hands when inmates are paid. Corrections personnel track days worked by inmates and enters it on the Sheriff's Warrant and Inmate Tracking System (SWIS). The days worked on SWIS automatically transfers to the inmate accounting system providing inmates' credit. On average the Sheriff's Office paid \$6,500 per month in FY11 for inmate labor.

Exhibit 4—Units involved processing inmate cash receipts

Unit	Location	Activity	Cash handling tasks
Property Unit	Detention Center	Booking cash	-Establishes new inmate accounts on inmate accounting system -Counts cash received -Issues hand written receipts -Puts cash received into cash register
Facility Security Officers	Detention Center and Inverness jails	Cash from family or friends on inmate's behalf	-Queries inmate account on inmate accounting system to determine if the inmate is still in custody and to monitor deposit limits -Counts cash received -Issues hand written receipts -Puts cash in envelope with receipt and slips through slot of locked safe
Property Unit at the Detention Center and Auxiliary Unit personnel at Inverness	Detention Center and Inverness jails	Processing cash received by Facility Security Officers	-Gathers cash from safe once a day -Counts cash and compares it to receipts and Inmate Fund Log
Facility Security Officers	Detention Center	Cash for self-bail	-Ensures proper forms are correctly completed -Counts cash received -Issues hand written receipts -Takes cash to Property Unit
Property Unit	Detention Center	Cash for self-bail	-Receives cash from Facility Security Officers and counts -Records receipt on the inmate accounting system
Fiscal Unit	Multnomah Building	Processing cash received from the Detention Center and Inverness jails	-Counts cash received -Separates cash received by Facility Security Officers from Property Unit cash -Prepares deposit slips and records total deposits on inmate accounting system -Compares Facility Security Officer deposit to detailed activity on inmate accounting system -Compares Property Unit's internal cash register tape to activity on inmate accounting system -Records accounting information on SAP

Cash out of inmate trust accounts As shown in Exhibit 3 above, cash can be released from an inmate's trust account for a variety of reasons including commissary purchases, Corrections Health charges, and Inmate Welfare Fund charges such as hygiene kits, hearing fees, copies or disciplinary fines. Cash does not exchange hands with these types of charges. Instead, funds are transferred from inmates' accounts to the Sheriff's Office or Corrections Health. Exhibit 5 below shows activity for July 2010 through May 2011.

Exhibit 5 Inmate Account Charges—July 2010—May 2011

Type of charge	Amount
Commissary purchases	\$617,700
Corrections Health	\$306,600
Inmate Welfare	\$ 49,000

Source: Auditor's Office analysis of inmate accounting system data

The Property Unit releases cash from their cash register or issues checks to inmates when inmates are released from custody. Total cash going out from the Property Unit to inmates averaged approximately \$112,700 per month or \$1.35 million per year in FY11.

When inmates are released, the Property Unit may issue up to \$1,000 cash and/or a check depending on the balance of the inmate's account and how much cash is in the register. The Property Unit sends the inmate's cash and/or check and their other property to the Release Officer. The Property Unit and the Release Officer count any cash released.

When inmates are transferred to other jurisdictions, the Property Unit always issues a check regardless of inmates' account balances. The Sheriff's Office participates in a cooperative agreement between other jurisdictions called the Northwest Shuttle System. Under this agreement, a check must be issued for any balance in the inmate's account.

Finally, The Sheriff's Office issues a check to other people or organizations when inmates request a release of their funds.

Inmate accounting system

The County internally developed the inmate accounting system in the mid-90s and customized it to fit the Sheriff's Office and Corrections Health operations. In September, 2005 the mainframe-based system was changed over to a client-server platform but the system has not been materially changed otherwise since it was initially put into service.

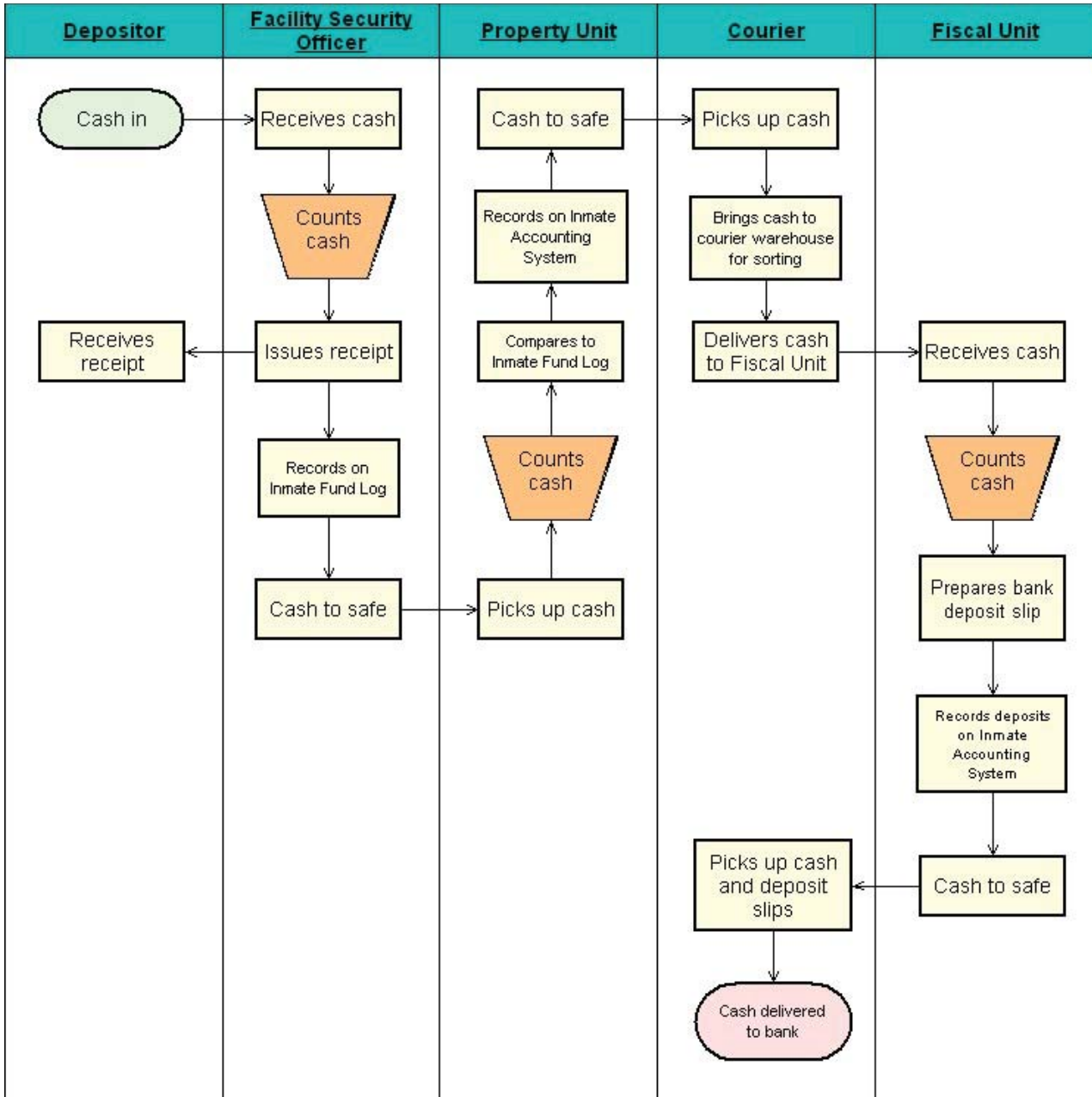
The Sheriff's Office or Corrections Health records all inmate transactions on the inmate accounting system. Summary transactions from the inmate accounting system are then posted to the County's SAP system at month end.

Audit Results **Cash handling processes should be streamlined and updated**

Cash handling processes address the amount of time personnel spend processing cash, timeliness of deposits, security of cash, as well as convenience for depositors. The Sheriff's Office is currently investigating more efficient ways to handle paper currency entering the jails. Based on practices in other jurisdictions, the Sheriff's Office may be able to complement these efforts by decreasing the amount of paper currency entering the jails using electronic cash alternatives.

The Property Unit and Facility Security Officers received a total estimated \$3.6 million during FY11. The manner in which this cash is processed from initial receipt to deposit in the bank is inefficient and untimely. As illustrated in Exhibit 6, cash received by Facility Security Officers is counted multiple times as it is routed through the Property and Fiscal Units to the bank.

Exhibit 6 Flowchart of cash received by Facility Security Officers



Source: Auditor's Office analysis

Cash received by the Property Unit at booking takes a similar route as shown in Exhibit 6 except Facility Security Officers are not involved and cash received is put into a cash register. Each shift the Property Unit counts cash and balances the cash register. The Property Unit routes any cash taken out of the register to the Fiscal Unit through the courier service before it is deposited to the bank.

Handling cash takes time. The Sheriff's Office estimates that the Fiscal Unit spends approximately 2-3 hours per day handling inmate cash at a cost of \$23,000 per year. At the Inverness Jail cash handling costs approximately \$11,000 per year. The Property Unit at the Detention Center also spends a sizable amount of their time counting booking cash, balancing the cash register and recounting cash received by Facility Security Officers. An estimate of the cost of cash handling for the Property Unit is not available.

Cash machines offer cash handling efficiencies

Shortly before our audit began, the Sheriff's Office began investigating cash handling alternatives to improve efficiency. There is currently a proposal for installation of a cash counting and disbursing machine in the Property Unit and cash counting machines at the Facility Security Desks at each jail. With these machines cash is only touched once at the time it is received. The machines, not Sheriff's Office personnel, will count cash and issue receipts. Other efficiencies and features of this proposed system include:

- Cash is deposited to the bank within 24 hours of receipt
- Once cash is deposited into the machine, the amount deposited is guaranteed
- The Property Unit cash register would not be used except as a backup
- The Property Unit at the Detention Center or Auxiliary Unit personnel at Inverness Jail would not have access to or recount cash received by Facility Security Officers
- The Property Unit would access an electronic report to record cash received at the Facility Security Desk facilitating timelier posting
- The Fiscal Unit would not handle cash

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- The Fiscal Unit should be able to complete a bank reconciliation because booking cash would be separated from release cash

The Sheriff's Office also has some concerns about using cash machines, because they are not specifically designed for booking and release functions. In addition, although productivity gains would be realized with less cash handling, the cash machines would increase Inmate Welfare Fund expenses.

Purchasing commissary online reduces cash handling in the jails

The Sheriff's Office is currently in the process of seeking vendors who offer inmate care package purchases using the internet. Under the current system, family or friends must bring cash for commissary purchases to one of the jails for deposit. Commissary purchases over the internet offer several advantages:

- The amount of cash coming into the jails should decrease
- Purchasing inmate commissary online through care packages offers a convenience for the purchaser by eliminating the need for a visit to the jail facility
- Commissary sales may increase

When inmates have a negative account balance, any funds deposited on their behalf must first be applied to their debt. Family or friends may choose not to deposit money for commissary purchases knowing it would be used pay off debt. Commissary purchases over the internet is one alternative to address this problem. The Sheriff's Office is also working on changing the inmate accounting system to allow inmates with a negative account balance to purchase a limited amount of commissary items when they receive funds.

Continue to pursue cash alternatives to reduce paper currency in the jails

The Auditor's Office fully supports the Sheriff's Office efforts to make inmate cash handling processes more efficient as well as their efforts to reduce the amount of paper currency flowing into and out of inmate trust accounts. Other cash alternatives such as receiving more money for inmates through the internet could be

used in conjunction with other changes under consideration. The Sheriff's Office is looking at a number of options but have not yet found solutions that completely satisfy their needs. We performed an extensive investigation of other jurisdictions to examine alternative ways of receiving and disbursing funds which could be used to further reduce paper currency in the jails and cash handling.

Appendix 1 shows some of the jurisdictions we contacted and how they reduced paper currency coming into their jails. Jurisdictions have configured cash alternatives in any number of ways to meet the unique operational needs of their jails. Receipt alternatives range from using lobby kiosks or third-party vendors that accept inmate deposits to full-service, customized vendor solutions that handle booking, deposits to inmate accounts, and bail transactions. Some jurisdictions also put remaining inmate funds on debit cards when they were released.

Entirely eliminating paper currency from the jails is not possible because inmates have cash in their possession when they are booked. The proposed cash machines could greatly reduce the number of times paper currency *entering the jails* is handled. The extent to which paper currency can be *removed from the jails* through electronic cash alternatives involves several different organizational divisions and units, who may have differences in opinion about how to integrate these alternatives into their Units. Accordingly, there are many variables involved in making decisions about reducing paper currency in the jails that would require full participation from multiple stakeholders.

Fees are an important variable for stakeholders to consider. Typically, vendors of cash alternatives make their money by charging fees. This cost of removing paper currency from the jails using electronic cash alternatives is passed on to inmates' family or friends or to inmates. From our research we found that electronic cash alternatives are widely used in other jurisdictions and fees are charged for these services. To allow progress Sheriff's Office stakeholders will need to work through different viewpoints about charging fees.

As shown in Appendix 1, fees generally range from a flat fee to a percentage of the amount deposited. For example, one vendor charges a \$2.50 fee per credit or debit card kiosk transaction while another charges fixed fees based on the transaction amount plus a percentage of the amount over \$200. Fees could be an undue hardship on depositors or inmates if they are too high.

In addition to fees, another variable to consider when investigating ways to reduce the amount of paper currency in the jails is the interface of electronic cash alternatives with the inmate accounting system which contains confidential information. Some jurisdictions we investigated received funds electronically without using a direct connection to their inmate accounting system. Public information such as the inmate identification number assigned by the Sheriff's Office, facility name where the inmate is housed and the inmate's name can be provided to vendors without allowing them access to the inmate accounting system.

Electronic cash alternatives have many advantages. Electronic cash receipts can be convenient for depositors and may provide inmates with more funds. When inmates have more funds, it is possible that commissary sales could increase or inmates could payback more or incur less debt. Facility Security Officers could spend less time handling cash.

The Property Unit and Facility Security Desks are good candidates for further investigation of electronic cash alternatives to remove paper currency from the County's jails.

Cash alternatives are available for the Property Unit

The Property Unit is involved in the booking and release process. Appendix 1 illustrates cash alternatives for other jurisdictions in the "Booking" and "Inmate Release" columns. As already discussed, the use of a cash machine is already under consideration for cash received at booking. The Sheriff's Office decided against using debit cards because they do not want to charge inmates debit card fees. In addition, a check writing system is already in place and must be used under the Northwest Shuttle Agreement for all transferred inmates. The Sheriff's Office is considering a \$100 limit on cash issued to released inmates.

Cash alternatives are available for Facility Security Officers

Facility Security Officers handle two types of cash receipts: money received on behalf of inmates for commissary or other items or money for self-bail. Appendix 1 illustrates electronic cash alternatives of other jurisdictions in the “Deposits to Inmate Account” and “Bail” columns. The amount of cash that is received and handled by Facility Security Officers could be reduced by choosing among the various alternatives that would best fit Sheriff’s Office operations.

As discussed above, online commissary purchases will help take paper currency out of the jails. Other options for deposits include kiosks in jail lobbies, as well as internet and over-the-phone deposits. In many cases funds can be deposited to inmate accounts at all hours. Kiosks generally accept cash, and credit or debit cards. Some jurisdictions we contacted stopped accepting paper currency for deposits to inmate accounts. Other jurisdictions continue to allow cash deposits but offer other electronic options to depositors for convenience.

The design of inmate cash handling processes should allow the Fiscal Unit to demonstrate full accountability of inmate funds

Currently, the manner in which cash flows through the jails does not practically allow the Fiscal Unit to reconcile the inmate accounting system to the bank and SAP. Cash received by the jails is also processed by the Fiscal Unit. To best fulfill their role of monitoring and verifying inmate activity and to protect Fiscal Unit personnel, the Fiscal Unit should not handle cash. In addition, timelier posting of certain inmate activity gains some efficiencies.

The Fiscal Unit must be able to reconcile the inmate accounting system to the bank and SAP

As part of its monitoring role the Fiscal Unit should prepare a bank reconciliation each month that independently verifies that the sum of all positive balances on the inmate accounting system agrees with the bank statement and SAP once all timing differences are taken into account. A bank reconciliation detects errors that could accumulate over time and is also an important task to detect any missing funds.

The inmate accounting system cannot be reconciled to the bank or to the County's SAP system. Reconciliation problems are *not* caused by the inmate accounting system. The Fiscal Unit ensures inmate account balances are accurate by comparing detailed cash register activity for each shift to the inmate accounting system using daily cash register reports and cash register tapes. However, while inmate accounts on the inmate accounting system can be entirely accurate, errors can still occur on SAP or cash could be missing.

Reconciliation problems are caused by current cash handling processes. The cash register in the Property Unit intermingles booking and release cash. Further, there is no set cash register balance that triggers a deposit to the bank. Whether to send register cash to the Fiscal Unit for deposit into the bank is a judgment call made by the Property Unit.

When cash is received at booking, it goes into the cash register. Inmates receive cash from the register upon their release. When the cash in the register is more than the anticipated cash needed for inmate releases, cash is taken out of the register, sent to the Fiscal Unit and deposited into the bank. The result is an intermittent net cash register deposit of booking cash less release cash. With this process there is no practical way for the Fiscal Unit to match the activity of the net cash register amount deposited in the bank to the booking and release activity recorded on the inmate accounting system.

In addition to intermingling booking and release cash, the Property Unit must sometimes wait to get an inmate's identification number so that an account can be set up on the inmate accounting system. In these cases cash has been received but not recorded and causes difficulty identifying timing differences.

The Fiscal Unit should correct an Inmate Welfare Fund accounting adjustment error

The Fiscal Unit needs to pinpoint the amount of an error that has been causing reconciliation differences since FY06. In FY06, the Sheriff's Office made an adjustment to the Inmate Welfare Fund on SAP to correct problems that resulted from switching the inmate accounting system over from a mainframe to a client-server

platform. The adjustment was incorrect. As a result of this error, the beginning working capital of the Inmate Welfare Fund has been materially understated since FY07.

The County General Ledger Unit attempted to perform a reconciliation in FY07 and concluded that the write-off adjustment recorded on SAP was too high. We concur with this assessment. Based on our work with monthly reconciliations from September 2010 to January 2011, we estimate the error is within a range of \$83,000 to \$86,000. Once reconciliation differences are exactly the same for two months, an adjusting entry to the Inmate Welfare Fund can be made to correct the error.

The Fiscal Unit should not handle cash

The Sheriff's Office Fiscal Unit performs monitoring, recording and independent verification roles for inmate trust accounts, commissary operations and the Inmate Welfare Fund. The Fiscal Unit ensures that all inmate activity from the Property Unit, Facility Security Officers, and Commissary activities are accurately reflected in inmates' accounts. To properly carry out these roles, the Fiscal Unit should not have custody of cash.

The Fiscal Unit currently receives cash, counts it, prepares deposit slips, records total deposit amounts on the inmate accounting system, and reconciles deposits to the bank statement. They record adjusting entries on the inmate accounting system, record receipts and summary disbursements on SAP, and reconcile the inmate accounting system to the bank and SAP. Although fiscal duties are spread out among several Fiscal Unit personnel, individual duties are still incompatible with the Fiscal Unit's roles. With their current duties, by simply having custody of cash Fiscal Unit personnel would be able to take cash and conceal that it was taken. This is an inappropriate assignment for fiscal personnel because they are personally at risk if cash is ever missing regardless of their innocence.

More timely postings offer efficiencies

Inmate accounts must be kept as up-to-date as possible. The Fiscal Unit made many adjustments because activity was posted after inmates were released. Many of these late postings involved cash

received on behalf of the inmate at the Facility Security desks or for hygiene kits that are offered when inmates are booked into custody.

Facility Security Officers check to see if an inmate is still in custody when cash is received. Between the time the cash is received and posted, the inmate could be released. When this happens a positive balance remains on the inmate's account unless the full amount deposited is applied to existing debt. If unnoticed, any positive amount will remain in a former inmate's account and ultimately go through the time intensive process of turning abandoned funds over to the State Division of Lands. When a late posting of cash is noticed, the Fiscal Unit must issue a check. As discussed above, the proposed cash machines offer a solution by allowing the Property Unit to post cash received at the Facility Security desk more frequently.

The amount of any hygiene kits that are not posted is often discovered when inmates are transferred to another jurisdiction but after a check for the wrong amount has been issued. Even though hygiene kits only cost \$1.89, the Fiscal Unit voids the wrong check and reissues a new one. When inmates with positive balances who received hygiene kits that were not posted are released to the street, they will receive too much cash.

The Inmate Funds Log should be retained

When family or friends deposit money on behalf of an inmate, each deposit is recorded on the Inmate Funds Log. The document establishes an initial control over cash received. If any cash is not recorded onto the inmate accounting system or is otherwise missing, the Inmate Funds Log can help isolate the difference.

Presently, the Inmate Funds Log is discarded by the Facility Security Unit after six months. Facility Security Officers should send the Inmate Funds Logs from both jails to the Fiscal Unit on a monthly basis.

The Sheriff’s Office is making improvements to the Inmate Welfare Fund but some changes are still needed

The remainder of this report examines some specific areas of the Inmate Welfare Fund including phone revenues, inmate law libraries, and how indigent inmate charges are absorbed. Because phone commissions are the largest source of revenue for the Inmate Welfare Fund, better communication between the Fiscal Unit and Corrections would help monitor phone activities. The Sheriff’s Office is currently making progress on plans to reduce law library costs. Finally, policies and procedures should be updated and reflect current practices.

Communication between the Fiscal Unit and Corrections would help monitor phone revenues

Approximately 80% of Inmate Welfare Fund revenue is generated from inmate phone calls. While there are a number of factors that influence phone revenues, they typically trend with inmate population. We compared inmate phone revenues with the average monthly population of the two jails and found some changes in revenues that could not be explained by changes in population.

We recognize that changes in phone revenues can occur for several reasons. Operational factors that may have affected phone revenues were difficult to identify. For example, we could not reliably identify any operational changes that affected inmate access to phones because the decline in revenues we were investigating happened over two years ago.

We did learn that on more than one occasion inmates found ways to make phone calls without being charged. These fraudulent calls likely contributed to phone revenue losses. The Corrections Division discovered the problems and has since made improvements to its phone system under its new contract.

Monthly, the Fiscal Unit monitors Inmate Welfare Fund phone revenues and receives phone statement details. The Corrections Division is responsible for and understands the details of phone operations. The Fiscal Unit could communicate with the Corrections Division on a regular basis to share information on

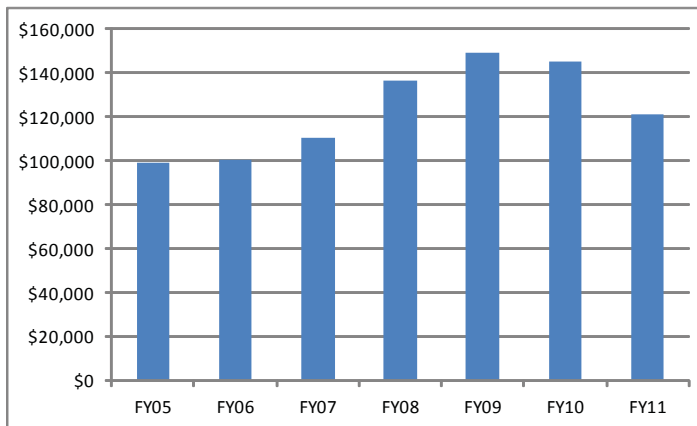
revenue trends. The Corrections Division could then use this data to timely investigate any operational changes that may have impacted revenues.

Law library changes will reduce costs

Providing inmates access to the courts is a constitutional requirement and can be accomplished in several ways. The Sheriff's Office chose to establish law libraries in each jail to meet this need. The legal materials in both jails are paper books and are reviewed for adequacy by the County Attorney's Office. The Sheriff's Office is currently pursuing a solution to make their law libraries in the jails more cost effective.

Law library expenses have been increasing. Exhibit 7 below illustrates that from FY05 to FY09, law library expenses had increased from \$98,850 to \$149,430 before decreasing to \$121,498 in FY11.

Exhibit 7 Law Library Expenditures



Source: Auditor's Office analysis of SAP financial information.

From FY05 through FY09 the jails had a total of four law libraries. To reduce costs, one library was closed in FY10 and another library closed in FY11. In addition, the Sheriff's Office attributes the upward trend to the increasing cost of paper materials for the libraries.

The Sheriff's Office has looked at switching from paper-based libraries to an electronic system several times over the last 10 years. Until recently, the Sheriff's Office determined that a paper-based system was less expensive than an electronic system. The Sheriff's Office is presently investigating an electronic law library system that would use approximately six kiosks in each jail. This option is expected to cut law library expenses in half.

Inmate Welfare Fund revenues are overstated

One of the uses of Inmate Welfare Funds is to assist indigent inmates. Often, inmates do not have enough funds to pay amounts billed for indigent inmate commissary, hygiene kits, disciplinary fees, hearing fees, stamps or other miscellaneous charges. Amounts actually collected from inmates, if any, may be less than amounts billed. The extent that amounts billed exceed amounts collected result in negative inmate account balances. At a later date, inmates may have money deposited into their accounts, and the funds will be applied to recover these negative balances.

Currently, Inmate Welfare Fund revenue reflects amounts billed to inmates. As a result revenues are overstated. In contrast, Inmate Welfare Fund revenue should actually show inmate amounts collected plus any amounts recovered from prior months. The difference between what is currently recorded and what should be recorded as Inmate Welfare Fund revenues is charged to the General Fund. Exhibit 8 illustrates these concepts with a hypothetical example.

Exhibit 8 Inmate Welfare Fund revenues example

Billed to inmates	Collected from inmates	Recovered from prior months
\$1000	\$650	\$200
<p>Currently, the Inmate Welfare Fund would show \$1,000 revenue and the General Fund would be charged a \$150 loss.</p> <p>The Inmate Welfare Fund should only reflect \$850 revenues (\$650 + \$200) and the General Fund should not be charged.</p>		

Source: Auditor's Office analysis

The General Fund was charged approximately \$7,000 for the first six months of FY10. Management explained that amounts charged to the General Fund were substantially higher in the past until stricter limits were recently imposed on the frequency of indigent inmate commissary along with a significant reduction in the number of items eligible for indigent commissary. When the amounts were higher, management decided the losses were too large to be absorbed by the Inmate Welfare Fund and has continued the practice of posting these losses to the General Fund.

Units involved with inmate funds need updated policy and procedures

We found that the Sheriff's Office had updated, written policies and procedures in some, but not all, Units involved with inmate funds. Because of the importance and interdependent nature of properly accounting for inmate funds, policies and procedures must be complete and kept up-to-date.

In April 2011, the Sheriff's Office updated and the Board approved a new Inmate Welfare Fund resolution. The new resolution clarifies the Fund's purpose, expands listed revenue sources to align with actual practices, and requires the Inmate Welfare Fund's annual budget and all expenditures must be approved by the Inmate Welfare Committee.

The Sheriff is responsible for appointing an Inmate Welfare Committee to govern the Inmate Welfare Fund. The Committee's current members include the Sheriff, Undersheriff, Chief Deputies from Corrections, Enforcement and Business Services, the Inspector of Internal Affairs and the Human Resources Director.

Corrections Division procedures were last updated in FY01. Revisions are needed to align all sections with current practices. Special attention should be given to the composition of the Inmate Welfare Committee. According to Corrections Division procedures there should be a least six members with at least one member from Inmate Programs, Fiscal Unit, Property/Commissary, and Corrections Security Staff. Currently, Inmate Welfare Committee members are primarily command staff; however, a representative from the County Attorney's Office and staff from the other areas may attend and provide input.

We found that Facility Security Office and Auxiliary Unit cash handling procedures aligned with current practices. Some of the Fiscal Unit procedures are detailed in the Business Design Manual for the inmate accounting system. However, the manual does not address many of the Fiscal Unit's activities.

There are several potential changes under investigation that could have a significant impact on current cash handling practices. As processes change procedures should be updated as soon as possible to reflect current practices.

Recommendations

As we conducted this audit the Sheriff's Office was investigating current cash handling processes to achieve better efficiency, making their law libraries more cost effective and soliciting vendors to administer inmate care packages. These improvements had not yet been implemented. We encourage the Sheriff's Office to continue these efforts.

1. Improve inmate cash processes:
 - a. To reduce the amount of inmate cash flowing through the jails, the Sheriff's Office should continue to pursue electronic alternatives to receiving cash.
 - b. To best fulfill their role of monitoring and verifying inmate cash activity and to protect their personnel, the Fiscal Unit should not receive or handle cash.
 - c. Inmate cash handling processes in the jails must be designed to allow timely reconciliation of inmate funds to the bank and to SAP. In order to accomplish this:
 1. Cash received from booking inmates must be separate from cash disbursed to inmates upon their release.
 2. A set register balance is needed to trigger a withdraw of register cash for deposit in the bank.
 3. A limit must be set on amounts disbursed to inmates upon release. There is a proposed limit of \$100 that could be further reduced to \$50 pending current changes under consideration.
 - d. Once inmate funds can be reconciled to the bank and to SAP, an adjusting entry should be made to the Inmate Welfare Fund on SAP to correct an accounting adjustment error made in FY06.

-
- e. The Fiscal Unit should receive and retain the Inmate Fund Logs on a monthly basis from the Facility Security Office.
2. To reduce the number of inactive positive inmate accounts as well as corrections made to inmate accounts, cash received at the Facility Security Desks in both jails should be posted more frequently. Efficiency could also be improved if the Property Unit posts hygiene kits provided to inmates closer to the point they are issued to inmates instead of having the Fiscal Unit post at a later time.
 3. All indigent inmate losses and recoveries should be reflected in the Inmate Welfare Fund.
 4. All organizations in the Sheriff's Office involved with inmate trust accounts, commissary or the Inmate Welfare Fund should update their policy and procedures and reflect any changes made to cash handling processes. The Fiscal Unit should expand their procedures beyond the inmate accounting system's Business Design Manual.

Scope and Methodology

The audit's objectives were to determine whether:

- The processes for inmate cash deposits and disbursements are efficient
- Adequate controls are in place to fully account for cash flowing through inmate trust accounts
- Controls are in place to ensure that all revenue from phone calls is collected
- Inmate law library responsibilities could be more cost effective
- Appropriate policy and procedures are in place for the inmate welfare funds and trust accounts

To accomplish the audit's objectives we first gained an understanding of inmate trust accounts, commissary operations, the Inmate Welfare Fund and their interrelationship. To help gain this understanding we interviewed personnel involved managing inmate funds and activities including the Sheriff Office Business

Services manager, Corrections Division, Auxiliary Unit, Facility Security Office, Corrections Health and Fiscal Unit managers, staff in the Facility Security Office, Property Unit and Fiscal Unit, and the County Attorney's Office. We also reviewed policies and procedures from the Corrections Division, Auxiliary Unit, Facility Security Office and Fiscal Unit. During the audit we:

- Obtained budget and financial data and conducted a seven year trend analysis of commissary operations and the Inmate Welfare Fund
- Observed and diagramed how inmate cash moves through the jails and the Fiscal Unit
- Received all inmate transaction data from the inmate accounting system from July 2010 through May 2011, verified the data's reliability and conducted tests on the data
- Conducted an assessment of inmate cash handling controls
- Analyzed reconciliations of the inmate trust fund to the bank and SAP
- Reviewed alternative cash receipt and disbursement systems of other jurisdictions
- Monitored Sheriff's Office efforts to improve cash handling practices and law libraries

Our audit did not examine all aspects of Inmate Welfare Funds. Specifically, the Department of Criminal Justice's Welfare Funds was not included in our scope. We also did not examine Corrections Health activities except for its access to inmate accounting system functions and how often inmate accounts were archived. We only obtained a preliminary understanding of commissary operations, inmate volunteer services and Chaplain services.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Responses to Audit





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Steve March, Multnomah County Auditor
501 SE Hawthorne Room 601
Portland, OR 97214

December 21, 2011

Dear Auditor March,

I have received and reviewed the audit completed by your office regarding inmate trust accounts, the Inmate Welfare Fund and commissary operations in the Multnomah County jail system. I appreciate the thorough review and consideration your Office took in conducting the audit, and want to extend my particular thanks to Auditors Fran Davison and Craig Hunt for their obvious interest in inmate accounts in our jails and for their professionalism in dealing with Sheriff's Office staff throughout the audit process.

I agree with the audits findings regarding the need to reduce the number of times cash is handled by staff members for inmate accounts generally. As you have indicated, the Sheriff's Office is currently moving forward with ways to achieve this. The Corrections Division is currently investigating the potential for both lobby Kiosks to accept cash for inmates already in the jail system, and facility-based Kiosks for activities including inmate visitation, commissary purchasing and law library. We also agree that improvements have been made recently specific to the operation of our inmate law libraries through reducing costs, and to our Inmate Welfare Fund by better defining revenues and process issues through a resolution passed by the Board of County Commissioners.

I would like to clarify my position on your recommendation on page 21 that "the Fiscal Unit should not handle cash." While I agree that this is a worthy goal from a process and accountability perspective, it is important to understand that there are sound reasons the current cash handling process exists, and significant costs would be involved to design and implement a process change to entirely eliminate cash handling by the Fiscal Unit. With particular regard to the potential of loss or theft raised in the audit, I can affirm that checks and balances currently exist to discover any cash discrepancies that may occur. Daily cash receipts are entered into the inmate accounting system, have a cash register tape, associated bank deposit slips and resulting bank statements. Any differences in amounts are discoverable, analyzed, documented and have supervisory review. While I agree that the overall need to reduce the handing of cash exists, I would note that the need for change is for gains in system efficiency, not because of a significant risk of loss or theft exists.

Thanks again for your thorough audit of our inmate accounts and related operations.

Sincerely,
A handwritten signature in black ink that reads "Daniel Staton". The signature is written in a cursive style with a long, sweeping underline.

Daniel Staton
Multnomah County Sheriff

Appendix



Examples Electronic Options Employed by Other Jurisdictions					
Jurisdictions	Booking	Inmate Release	Deposits to Inmate Account	Fees for Electronic Deposits	Bail
Benton County, Oregon	TurnKey kiosk system will accept cash at booking. Coins go into property bag	Check issued by TurnKey vendor	Recently switched vendors. Deposits accepted at lobby kiosk and Internet.	No fee for cash or debit transactions at kiosk. Internet fee is \$8 for up to \$150 deposit.	Jail kiosk accepts cash, credit and debit card.
Boone County, Indiana	No electronic options used at booking	Check issued at business office during business hours. Considering debit card at cost of \$3 each.	JPay accepts Internet and phone deposits.	Fees start at \$3.95 for online deposit of \$20. Increase as deposit increases.	Uses GovPay to accept bond payment by Internet or phone.
Chatham County, Georgia (1600+ADP)	Electronic booking kiosk accepts cash	Debit card release. No charge for first use.	Jail ATM accepts Internet and phone deposits. Lobby kiosk also accepts cash and credit card deposits.	\$2.50 for each kiosk transaction (may be additional fees for credit card use).	Cash, credit and debit cards accepted. A surcharge is added to credit and debit card transactions.
Columbia County, Oregon	Researching booking options to eliminate cash.	TouchPay debit card release	TouchPay lobby kiosk, Internet and phone deposits accepted.	Kiosk and Internet fees range from \$7 per cash transaction to \$7 +3.5% for credit/debit cards	TouchPay accepts deposits over phone, Internet or kiosk.
Davis County, Utah	EZCard electronic booking kiosk accepts cash	EZ card release swipe card. No charge for first use.	EZCard kiosk, Internet and phone deposits accepted.	Online fees start at 3.99 for \$20 deposit up to \$9.99 for \$200 deposit.	Cash, Western Union or EZCard Kiosk
King County, Washington	Currently researching booking machine	Combination of cash and checks issued at release.	Access Corrections accepts internet and phone deposits. Lobby kiosk accepts cash and credit cards.	Fees start at \$2.95 for on-line deposits and \$3.95 for telephone deposits.	Cashier accepts money orders; deposits up to \$300 accepted on-line, by phone or inperson kiosk.
Marion County, Oregon	No electronic options used at booking	Check issued by TouchPay vendor	Lobby kiosk, Internet and phone deposits accepted.	Kiosk and Internet fees range from \$7 per cash transaction to \$7 +3.5% for credit/debit cards	Court accepts cash, credit and debit cards. TouchPay, over phone, Internet or kiosk.
Pima County, Arizona	EZCard electronic booking kiosk accepts cash	EZ card release swipe card. No charge for first use.	EZCard lobby kiosk accepts cash, credit and debit deposit. Internet and phone transactions accept credit or debit card deposits. Also offers online inmate gift packs	Internet transactions range from \$4.99 for \$20 deposit; \$8.99 for \$100 deposit; 8% of amount for +\$200	EZCard kiosk accepts cash, credit and debit card. Inmate can self-bail with a credit card.
Sacramento County, California	No electronic options used at booking	Combination of cash and checks issued at release.	Lobby cash machine accepts cash, credit or debit deposits. Deposits accepted by Internet, phone and in-person at Western Union. Offers Aramark gift services for inmate commissary	Not available	Use bailbondsmen
Oregon Department of Corrections	Does not book inmates	Oregon Trail card issued at release. Investigating bank debit card	Deposits accepted by internet, phone using JPay, Access Corrections and Western Union and in-person at Western Union. Considering lobby Kiosks.	Fees start at \$2.95 for online deposit less than \$20. Increase as deposit increases.	--

