COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

April 14, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – INMATE WELFARE FUND FINANCIAL/COMPLIANCE AUDIT**

The Inmate Welfare Fund (IWF) is administered by the Sheriff's Department (Sheriff's) and governed by the Inmate Welfare Commission (Commission). The Commission is made up of private citizens appointed by the Sheriff. The IWF receives profits from sales of items and services to inmates and the public (e.g., commissary sales, inmate telephone services, etc.). IWF monies are used for the benefit, education and welfare of inmates, and for jail maintenance.

At the Commission's request, we contracted with an outside Certified Public Accounting firm, Thompson, Cobb, Bazilio & Associates, P.C. (TCBA), to conduct a financial/compliance audit of the IWF for Fiscal Years 2007-08 and 2008-09. TCBA's audit was intended to express an opinion on the IWF's financial statements, and determine whether the Sheriff's properly accounted for and disbursed IWF funds. TCBA conducted the audit under the Auditor-Controller's Master Agreement.

TCBA's reports (attached) indicate that the IWF financial statements present fairly the result of the Fund's operations and the audit did not identify material issues.

TCBA did identify some opportunities to strengthen the Fund's internal controls and operating efficiency. For example, ensuring checks are time and date stamped upon receipt, cash receipts are deposited timely and fund transfers are adequately supported by back-up documentation.

TCBA discussed the results of their review with Sheriff's and Commission representatives who agreed with TCBA's recommendations. Details of TCBA's recommendations and the Sheriff's responses are included in Exhibit D of the attached Agreed-Upon Procedures report.

Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0199.

WLW:JLS:RGC:MP

Attachment

c: William T Fujioka, Chief Executive Officer
Leroy D. Baca, Sheriff
Public Information Office
Audit Committee

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

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COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

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INDEPENDENT AUDITOR'S REPORT

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the accompanying balance sheet of the County of Los Angeles Sheriff's Department Inmate Welfare Fund ("IWF"), a fund of the County of Los Angeles, as of June 30, 2008, and the related statements of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the IWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2007, financial statements have been audited by other auditors whose report dated April 30, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IWF as of June 30, 2008, and the results of its operations and the changes in its fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, on our consideration of the IWF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA
August 19, 2010

Thompson, Cobb, Bazilio & Associates, P.C.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

BALANCE SHEET
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Assets		
Assets		
Equity in cash and pooled investments	$ 58,701,727	$ 53,878,670
Interest receivable	295,104	488,390
Due from County of Los Angeles	2,428,404	629,629
Total assets	$ 61,425,235	$ 54,996,689
Liabilities and Fund Balance		
Liabilities		
Vouchers payable	$ 1,370,873	$ 1,764,156
Deferred revenue	3,737,781	5,948,921
Due to County of Los Angeles	9,732,020	12,233,719
Total liabilities	14,840,674	19, 946,796
Fund balance		
Reserved for encumbrances	16,131,260	6,778,279
Undesignated	30,453,301	28,271,614
Total net assets	46,584,561	35,049,893
Total liabilities and fund balance	$ 61,425,235	$ 54,996,689

The accompanying notes are an integral part of these financial statements.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Revenues		
Commissions	$ 40,102,107	$ 20,353,179
Hacienda La Puente Education program refund	10,631,599	-
Investment income	2,212,709	3,164,457
Miscellaneous	87,689	109,677
Total operating revenues	53,034,104	23,627,313
Expenditures		
Technical services	9,080,425	11,112,758
Maintenance-building and improvements	7,538,932	8,318,527
Food	7,250,768	-
Professional services	2,411,519	3,422,414
Capital outlay	1,793,008	1,498,982
Computing personal	796,333	70,554
Medical, dental and laboratory supplies	526,279	-
Telecommunications	473,885	116,626
Office expenses	365,025	425,300
Special department expense	351,275	523,635
Clothing and personal supplies	302,335	1,757,292
Maintenance-equipment	294,403	83,480
Information technology services	158,711	337,129
Small tools and minor equipment	137,614	64,071
Administrative services	109,698	4,800,730
Computing mainframe	78,904	206,997
Training	59,972	18,179
Transportation and travel	56,801	69,624
Rents and leases - equipment	54,408	35,277
Household expenses	22,158	56,008
Contracted program services	4,070	-
Communications	682	74,980
Memberships	537	773
Miscellaneous	70,594	571,968
Total operating expenses-carried forward	$ 31,938,336	$ 33,565,304

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
Total operating expenses-brought forward	$ 31,938,336	$ 33,565,304
Excess (Deficit) of revenues over expenditures	21,095,768	(9,937,991)
Other financing sources (uses)		
Transfers-out to County of Los Angeles	(9,561,100)	(9,892,145)
Excess of revenues over expenditures and other financing uses	11,534,668	(19,830,136)
Fund balance at beginning of year	35,049,893	54,880,029
Fund balance at end of year	$ 46,584,561	$ 35,049,893

The accompanying notes are an integral part of these financial statements.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sheriff's Inmate Welfare Fund (IWF) have been prepared in conformity with accounting principles generally accepted in the United States of America. The accounting policies of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies:

Financial Reporting Entity

The County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) was established pursuant to the State of California Penal Code Section 4025. The major sources of revenues of the IWF are composed of commissions received from contracted telephone services and commissary sales and vending machine sales which are for the inmates' use and benefit. Additionally, the Inmate Welfare Fund receives reimbursement from Hacienda La Puente Unified School District for ADA (average daily attendance) money that it receives for inmates that receive educational services. The expenditures of the IWF are governed by the California Penal Code Section 4025 which states that "The money and property in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff."

Starting with the fiscal year beginning July 2000, fifty-one percent of the annual IWF revenue was assigned solely and exclusively to programs for the benefit, welfare, rehabilitation, and education of jail inmates. The remaining forty-nine percent of the annual IWF revenue is earmarked solely for jail maintenance. According to the policy, only the excess revenues are allocated for jail maintenance, and programs will continue to have funding priority over jail maintenance as required by the State of California Penal Code Section 4025.

The Inmate Welfare Commission (IWC) oversees the expenditures for inmate programs, including but not limited to educational, rehabilitative and other expenditures for the welfare and benefit of the inmates. The Sheriff's Correctional Services Division, County Counsel Representative, and Budget Authority oversee the expenditures for jail maintenance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or within 60 days after year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Basis of Presentation

The IWF is reported as a special revenue governmental type fund of the County of Los Angeles. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Governmental funds are presented using the flow of current financial resources measurement focus. Generally this means only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements focus on measuring changes in financial position, rather than net income. The operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The unreserved fund balance is a measurement of available spendable resources.

Concentration of Sources of Revenues

The majority of the IWF's revenues are derived from commissions from a few telephone and vending machine companies. For the fiscal year ended June 30, 2008, the percentage of revenue received from each of the following companies to total revenue was as follows.

Revenue Source	Percentage to total Revenue
AT&T telephone commission	33%
Commissary commission-Keefe Commissary Network	34%
Commissary commission-Compass Group	3%
Vending machine commission-Compass Group	1%

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Encumbrances

Encumbrances are estimations of cost related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes. Encumbrances outstanding at fiscal year end are reported as a reservation of the fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at fiscal year end are completed. They do not constitute expenditures or estimated liabilities.

NOTE 2 - EQUITY IN CASH AND POOLED INVESTMENTS

The IWF cash is included in the County's balance sheet as "Equity in Cash and Pooled Investments". The County maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Further disclosures regarding the County's cash and investments are included in the Notes of the County's fiscal year ended June 30, 2008, Comprehensive Annual Financial Report.

NOTE 3 - FUND BALANCE

Fund Balances in governmental funds are reserved for two purposes: 1) where certain amounts are legally committed for specific future uses, such as outstanding purchase orders (encumbrances), continuing appropriations, capital projects, or debt service; and 2) where assets are not available for appropriations because a.) they have been advanced to another fund; b.) they are noncurrent receivables; or c.) they have been expended as inventory or prepayments.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - TRANSFERS OUT

Transfers to support the operations of other funds are recorded as "Transfers Out" and are classified as "Other Financing Uses."

NOTE 5 - DUE TO/FROM COUNTY OF LOS ANGELES

Due to/from County of Los Angeles consists of expenditures and revenues that have been paid or received on behalf of the Inmate Welfare Fund, by the County of Los Angeles and have not yet been transferred to the Inmate Welfare Fund as of the fiscal year ended June 30, 2008.

NOTE 6 - CAPITAL OUTLAY

Capital outlay consists of expenditures of equipment, machinery, and vehicles. The Inmate Welfare Fund does not capitalize these expenditures, but the County of Los Angeles (which the Inmate Welfare Fund is a fund of) does capitalize capital outlays. Please see the County of Los Angeles Comprehensive Annual Financial Report for further information regarding capital outlays.

NOTE 7 - SUBSEQUENT EVENTS

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates. This amount is refunded back to the Inmate Welfare Fund. The fiscal year 2007-2008 refund representing excess cost paid to the District in the amount of $85,148 was paid to the Inmate Welfare Fund on February 10, 2009. Also, the average daily attendance reimbursement refund for fiscal year 2007-2008 in the amount of $6,002,761, was paid to the Inmate Welfare Fund on February 22, 2010.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - COMMITMENTS

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates.

The Inmate Welfare Fund has a contract with AT&T, which was subsequently assigned to Global Tel*Link Corporation on February 21, 2008, in which it receives an annual amount for telephone commissions which is based on the contract terms. For the period December 13, 2007 to December 12, 2008, the annual contract amount was $15,402,402.

The Inmate Welfare Fund has a contract with a third party that provides goods (food and other products purchased by inmates) in which the vendor sells goods to the inmates and provides a commission based on the total sales to the Inmate Welfare Fund.

NOTE 9 - ADJUSTMENTS TO ELECTRONIC COUNTYWIDE ACCOUNTING AND PURCHASING SYSTEM (eCAPS)

The following adjustments were booked to the financial statements of the Inmate Welfare Fund but were not included in the eCAPS:

Account Name	Amount	Description
Deferred Revenue	$3,737,781	To set-up deferred revenue applicable for the period July 2008 to December 2008. This amount was already recognized as fully-earned commission as of June 30, 2008.
Telephone commission	$3,737,781	To reduce commission for the deferred portion applicable for the period July 2008 to December 2008. This amount was already recognized as fully-earned commission as of June 30, 2008.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 – COMPARATIVE FINANCIAL DATA

The amounts shown for 2007 in the accompanying financial statements are included only to provide a basis for comparison with 2008 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the basic financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated, August 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the IWF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IWF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IWF's s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IWF's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IWF's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the County of Los Angeles Sheriff's Department in a separate Report on Applying Agreed-Upon Procedures dated August 19, 2010.

This report is intended for the information and use of the management of the County of Los Angeles Sheriff's Department, Board of Supervisors, Auditor Controller (Audit Division), and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, CA
August 19, 2010

Thompson, Cobb, Bazilio & Associates, P.C.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT
INMATE WELFARE FUND

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

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COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
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THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the accompanying balance sheet of the County of Los Angeles Sheriff's Department Inmate Welfare Fund ("IWF"), a fund of the County of Los Angeles, as of June 30, 2009, and the related statements of revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the IWF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2008 financial statements and, in our report dated August 19, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IWF as of June 30, 2009, and the results of its operations and the changes in its net financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2010, on our consideration of the IWF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA
August 19, 2010

Thompson, Cobb, Bazilio & Associates, P.C.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

BALANCE SHEET
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Assets		
Assets		
Equity in cash and pooled investments	$ 56,252,272	$ 58,701,727
Interest receivable	171,378	295,104
Advances to Hacienda La Puente School District	2,657,717	-
Due from County of Los Angeles	1,554,597	2,428,404
Total assets	$ 60,635,965	$ 61,425,235
Liabilities and Fund Balance		
Liabilities		
Vouchers payable	$ 753,989	$ 1,370,873
Deferred revenue	4,756,558	3,737,781
Due to County of Los Angeles	4,043,026	9,732,020
Total liabilities	9,553,573	14,840,674
Fund Balance		
Reserved for encumbrances	9,860,271	16,131,260
Undesignated	41,222,121	30,453,301
Total net assets	51,082,392	46,584,561
Total liabilities and fund balance	$ 60,635,965	$ 61,425,235

The accompanying notes are an integral part of these financial statements.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Revenues		
Commissions	$ 32,073,014	$ 40,102,107
Hacienda La Puente Education program refund	5,875,035	10,631,599
Investment income	1,303,969	2,212,709
Miscellaneous	84,371	87,689
Total operating revenues	39,336,389	53,034,104
Expenditures		
Food	12,755,583	7,250,768
Technical services	8,707,450	9,080,425
Maintenance-building and improvements	4,161,029	7,538,932
Professional services	3,034,110	2,411,519
Maintenance-equipment	418,710	294,403
Office expenses	339,829	365,025
Capital outlay	299,186	1,793,008
Special department expense	287,571	351,275
Clothing and personal supplies	285,828	302,335
Small tools and minor equipment	142,417	137,614
Administrative services	103,878	109,698
Household expenses	51,840	22,158
Transportation and travel	44,971	56,801
Information technology services	43,419	158,711
Telecommunications	38,150	473,885
Computing mainframe	36,704	78,904
Communications	31,854	682
Computing personal	30,199	796,333
Rents and leases – equipment	12,509	54,408
Training	4,302	59,972
Memberships	384	537
Medical, dental and laboratory supplies	174	526,279
Contracted program services	-	4,070
Miscellaneous	-	70,594
Total operating expenses-carried forward	$ 30,830,097	$ 31,938,336

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Total operating expenses-brought forward	$ 30,830,097	$ 31,938,336
Excess of revenues over expenditures	8,506,292	21,095,768
Other financing sources (uses)		
Transfers-out to County of Los Angeles	(4,008,461)	(9,561,100)
Excess of revenues over expenditures and other financing uses	4,497,831	11,534,668
Fund balance at beginning of year	46,584,561	35,049,893
Fund balance at end of year	$ 51,082,392	$ 46,584,561

The accompanying notes are an integral part of these financial statements.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sheriff's Inmate Welfare Fund (IWF) have been prepared in conformity with accounting principles generally accepted in the United States of America. The accounting policies of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant of such policies.

Financial Reporting Entity

The County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) was established pursuant to the State of California Penal Code Section 4025. The major sources of revenues of the IWF are composed of commissions received from contracted telephone services and commissary sales and vending machine sales which are for the inmates' use and benefit. Additionally, the Inmate Welfare Fund receives reimbursement from Hacienda La Puente Unified School District for ADA (average daily attendance) money that it receives for inmates that receive educational services. The expenditures of the IWF are governed by the California Penal Code Section 4025 which states that "The money and property in the inmate welfare fund shall be expended by the sheriff primarily for the benefit, education, and welfare of the inmates confined within the jail. Any funds that are not needed for the welfare of the inmates may be expended for the maintenance of county jail facilities. Maintenance of county jail facilities may include, but is not limited to, the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate by the sheriff."

Starting with the fiscal year beginning July 2000, fifty-one percent of the annual IWF revenue was assigned solely and exclusively to programs for the benefit, welfare, rehabilitation, and education of jail inmates. The remaining forty-nine percent of the annual IWF revenue is earmarked solely for jail maintenance. According to the policy, only the excess revenues are allocated for jail maintenance, and programs will continue to have funding priority over jail maintenance as required by the State of California Penal Code Section 4025.

The Inmate Welfare Commission (IWC) oversees the expenditures for inmate programs, including but not limited to educational, rehabilitative and other expenditures for the welfare and benefit of the inmates. The Sheriff's Correctional Services Division, County Counsel Representative, and Budget Authority oversee the expenditures for jail maintenance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Basis of Presentation

The IWF is reported as a special revenue governmental type fund of the County of Los Angeles. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Governmental funds are presented using the flow of current financial resources measurement focus. Generally this means only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements focus on measuring changes in financial position, rather than net income. The operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The unreserved fund balance is a measurement of available spendable resources.

Concentration of Sources of Revenues

The majority of the IWF's revenues are derived from commissions from a few telephone and vending machine companies. For the fiscal year ended June 30, 2009, the percentage of revenue received from each of the following companies to total revenues was as follows.

Revenue Source	Percentage to total Revenue
Global Tel*Link Corporation	36%
Commissary commission-Keefe Commissary Network	45%
Vending machine commission – Compass Group	1%

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the related reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Encumbrances

Encumbrances are estimations of cost related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes. Encumbrances outstanding at fiscal year end are reported as a reservation of the fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at fiscal year end are completed. They do not constitute expenditures or estimated liabilities.

NOTE 2 - EQUITY IN CASH AND POOLED INVESTMENTS

The IWF cash is included in the County's balance sheet as "Equity in Cash and Pooled Investments". The County maintains a cash and investment pool for all funds of the County and other agencies for which the County treasury is the depository. Interest earned on the pooled funds is allocated and credited to these funds quarterly. Further disclosures regarding the County's cash and investments are included in the Notes of the County's fiscal year ended June 30, 2009, Comprehensive Annual Financial Report.

NOTE 3 - FUND BALANCE

Fund Balances in governmental funds are reserved for two purposes: 1) where certain amounts are legally committed for specific future uses, such as outstanding purchase orders (encumbrances), continuing appropriations, capital projects, or debt service; and 2) where assets are not available for appropriations because a.) they have been advanced to another fund; b.) they are noncurrent receivables; or c.) they have been expended as inventory or prepayments.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - TRANSFERS OUT

Transfers to support the operations of other funds are recorded as "Transfers Out" and are classified as "Other Financing Uses."

NOTE 5 - DUE TO/FROM COUNTY OF LOS ANGELES

Due to/from County of Los Angeles consists of expenditures and revenues that have been paid or received on behalf of the Inmate Welfare Fund, by the County of Los Angeles and have not yet been transferred to the Inmate Welfare Fund as of the fiscal year ended June 30, 2009.

NOTE 6 - CAPITAL OUTLAY

Capital outlay consists of expenditures of equipment, machinery, and vehicles. The Inmate Welfare Fund does not capitalize these expenditures, but the County of Los Angeles (which the Inmate Welfare Fund is a fund of) does capitalize capital outlays. Please see the County of Los Angeles Comprehensive Annual Financial Report for further information regarding capital outlays.

NOTE 7 - SUBSEQUENT EVENTS

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates. This amount is refunded back to the Inmate Welfare Fund. As of August 19, 2010, the last day of our fieldwork, the reimbursements for the fiscal year 2008-2009 was not yet received by the Inmate Welfare Fund.

NOTE 8 - COMMITMENTS

The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates.

The Inmate Welfare Fund has a contract with AT&T, which was subsequently assigned to Global Tel*Link Corporation on February 21, 2009, in which it receives an annual amount for telephone commissions which is based on the contract terms. For the period December 13, 2008 to December 12, 2009, the annual contract amount was $11,806,465.

The Inmate Welfare Fund has a contract with a third party that provides goods (food and other products purchased by inmates) in which the vendor sells goods to the inmates and provides a commission based on the total sales to the Inmate Welfare Fund.

NOTE 9 - ADJUSTMENTS TO ELECTRONIC COUNTYWIDE ACCOUNTING AND PURCHASING SYSTEM (eCAPS)

The following adjustments were booked to the financial statements of the Inmate Welfare Fund but were not included in the eCAPS:

Account Name	Amount	Description
Deferred Revenue	$4,756,558	To set-up deferred revenue applicable for the period July 2009 to December 2009. This amount was already recognized as fully-earned commission as of June 30, 2009.
Telephone commission	$4,756,558	To reduce commission for the deferred portion applicable for the period July 2009 to December 2009. This amount was already recognized as fully-earned commission as of June 30, 2009.

NOTE 10 – COMPARATIVE FINANCIAL DATA

The amounts shown for 2008 in the accompanying financial statements are included only to provide a basis for comparison with 2009 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the basic financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated, August 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the IWF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IWF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IWF's s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IWF's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IWF's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the County of Los Angeles Sheriff's Department in a separate Report on Applying Agreed-Upon Procedures dated August 19, 2010.

This report is intended for the information and use of the management of the County of Los Angeles Sheriff's Department, County of Los Angeles Board of Supervisors, Auditor Controller (Audit Division), and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, CA
August 19, 2010

Thompson, Cobb, Bazilio & Associates, P.C.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT
INMATE WELFARE FUND

REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2009

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COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE PERIOD JULY 1, 2007 TO JUNE 30, 2008

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THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have performed the procedures enumerated below, which were agreed to by the County of Los Angeles Sheriff's Department (the Department), solely to assist the County in evaluating the internal controls over revenues and expenditures, and the financial reporting system of the County of Los Angeles Sheriff's Department Inmate Welfare Fund for the period July 1, 2007 through June 30, 2009.

This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are enumerated below and the results of each procedure are summarized in the exhibits of these reports.

Procedures	Results and Recommendations
1. Performed reconciliation and review of the Average Daily Attendance (ADA) reimbursement received by Hacienda La Puente School District relating to adult educational services provided to the inmates.	Exhibit A
2. Review the financial statements formats and make recommendations to improve functionality, lay-out, ease of understanding, terminology, and the requirement for each statement prepared and submitted to the Inmate Welfare Commission (IWC).	Exhibit B

3.	Determine if additional financial statements or reports should be prepared and submitted to the IWC.	Exhibit C
4.	Review and make recommendations to strengthen the disbursement process.	Exhibit D
5.	Evaluate and make recommendations to strengthen the internal controls over revenue and expenditures.	Exhibit D
6.	Status of prior auditor's findings and recommendations.	Exhibit E

This report is intended solely for the use of the management of the County of Los Angeles Sheriff's Department, County of Los Angeles Board of Supervisors, Auditor Controller (Audit Division), and the Inmate Welfare Commission (IWC) and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this limitation is not meant to limit the distribution of this report which is a matter of public record.

August 19, 2010
Torrance, California

Thompson, Cobb, Bazilio & Associates, P.C.

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Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

In planning and performing our audit of the financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) for the fiscal years ended June 30, 2008, and 2009 (on which we have issued our reports dated August 19, 2010), we considered the IWF's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements of the IWF and not to provide assurance on the internal control structure. Such consideration would not disclose all matters in the internal control structure that might be deficiencies, significant deficiencies, or material weaknesses under standards established by the American Institute of Certified Public Accountants.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Exhibit D that accompanies this letter summarizes our comments and recommendations regarding those matters.

August 19, 2010
Torrance, California

Thompson, Cobb, Bazilio & Associates, P.C.

Exhibit A

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF AVERAGE DAILY ATTENDANCE (ADA) REIMBURSEMENTS
FROM HACIENDA LA PUENTE SCHOOL DISTRICT (DISTRICT)
FOR THE FISCAL YEARS 2007-2008 AND 2008-2009

	2009	2008
Total payments made to the District	$ 11,222,376	$ 8,886,419
Less: Payments for FY 2009-2010 taken from FY 2008-2009 encumbrance/budget	(2,651,717)	-
Payments applicable to each fiscal year	8,570,659	8,886,419
Less: Actual expenditures incurred by the District	(8,865,783)	(8,801,271)
Over (Under) Payments	(295,124)	85,148
Add: ADA apportionment (see note 1)	-	6,002,761
Total Amount Due From (To) the District	(295,124)	6,087,909
Less: Reimbursements received from the District	-	(6,087,909)
Amount Due from (to) the District (see note 2)	$ (295,124)	$ -

Notes

1. The ADA apportionment for fiscal year 2008-2009 is not yet available from the State.

2. This amount does not include the ADA apportionment from the State. As noted, reimbursements from the District would take a while since it would depend on the District's receiving such amount from the State.

Exhibit B

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO INMATE WELFARE COMMISSION (IWC)
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
1) ***Statement of Net Assets*** – This statement contains the assets (cash, interest receivable and due from other funds), liabilities (vouchers payable and due from other funds), and net assets (comprising the encumbrances, approved request and the available funds). The primary purpose of this report is to present the remaining available net assets, which will serve as a guide for the Commissioners to determine whether funds are available when they make a decision to approve a funding request or not.	Observations: 1) No amount for total assets and liabilities. 2) Anticipated revenue (budget) should not be part of this report. 3) This report can be eliminated and replaced by the balance sheet, which presents the same information. Recommendation: Eliminate this report and replace with the balance sheet report(see sample format at Exhibit C). Management's Response: Department agrees with the recommendation and will start the new format in July 2010.
2) ***Cash Balance Schedule*** –The primary purpose of this report is to present the movement of the cash account from the beginning of the fiscal year until the end of the fiscal year. The ending balance is the amount of cash presented in the Statement of Net Assets report (no. 1 above)	As is, no improvements recommended.
3) ***Carry Over Fund*** – The primary purpose of this page is to support the amount of the carry over fund presented in the cash balance schedule.	As is, no improvements recommended.
4) ***Anticipated Revenue Worksheet*** - This schedule presents the itemized year-to-date anticipated revenue and actual revenue collected. It also presents the over and under revenue realized (anticipated versus actual) during the year. The format of this report was designed to assist the Commissioners in determining at a glance how much was the anticipated revenue and	As is, no improvements recommended.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO INMATE WELFARE COMMISSION (IWC)
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
the actual amount collected or realized. The amount of collected revenue in this report supports the amount of revenue as presented in the cash balance schedule.	
5) ***Statement of Expenditures*** – This schedule is an itemization of the year to date inmate programs and facilities expenditures by expenditure categories.	As is, no improvements recommended.
6) ***Schedule Due From Other Funds*** – This schedule is an itemization of the year to date money due from other funds (within the County) to the inmate programs and facilities infrastructure. The total amount of due from other funds flows to the Closing Statement of Net Assets.	As is, no improvements recommended.
7) ***Schedule of Due To Other Funds*** – This schedule is an itemization of the year to date money due to other funds (within the County) from the inmate programs and facilities infrastructure. The total amount of due to other funds flows to the Closing Statement of Net Assets.	As is, no improvements recommended.
8) ***Schedule of Vouchers Payable*** – This is an itemization of the inmate programs and facilities infrastructure vouchers payable balance year to date that flows into the Statement of Net Asset.	As is, no improvements recommended.
9) ***Schedule of Encumbrances*** – This is an itemization of the inmate programs and facilities infrastructure encumbrances. This amount is presented under net assets in the closing statement of net assets.	As is, no improvements recommended.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO INMATE WELFARE COMMISSION (IWC)
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
10) ***Schedule of Approved Requests*** – This is an itemization of the inmate programs and facilities infrastructure requests that make up the unreserved net assets.	As is, no improvements recommended.
11) ***Schedule of Outstanding Requisitions*** – This represents approved requisitions with no expenditures incurred yet as of June 30, 2009. The total amount of this schedule is added to the schedule of approved requests to arrive at the total approved requests amount as presented in the closing statement of net assets.	As is, no improvements recommended.
12) ***Schedule of Fund Balance*** – This schedule presents the beginning fund balance and the year to date revenues and expenditures that are being closed out to the fund balance in order to arrive at the current fund balance. The ending fund balance flows into the Closing Statement of Net Assets.	As is, no improvements recommended.
13) ***Worksheet for Approved Requests for Inmate Welfare Fund*** – This is a detailed schedule of all approved requests from the beginning of the fiscal year up to the reporting period. The total of this worksheet flows into the Schedule of Approved Requests.	As is, no improvements recommended.
14) ***Inmate Welfare Fund – Worksheet for Expenditures*** – This is a detailed itemization of all expenditure that was incurred from the beginning of the fiscal year up to the reporting period (categorized by account number and by transaction date). The total of this worksheet flows into the Statement of Expenditures.	As is, no improvements recommended.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF FINANCIAL STATEMENTS FORMAT SUBMITTED TO INMATE WELFARE COMMISSION (IWC)
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

General Observations

In reviewing the foregoing reports we considered the usefulness of the data presented with regards to the requirements of the Inmate Welfare Commission. We found most of the above reports are useful for the Commissioners in making decisions in overseeing the Inmate Welfare fund.

We noted however, that the preparation of the foregoing reports would entail considerable time to complete since these are manually prepared using the excel software, which is also reconciled to the eCAPS reports.

Recommendation

As in the prior-year audit recommendation, we recommend that the Department consider automating the preparation of the foregoing reports by using computerized bookkeeping software or to have the above reports captured and designed from the eCAPS.

Management's Response

The Department is in the process of automating the preparation of monthly financial statements and related reports. It is expected to start in fiscal year 2010-2011.

Exhibit C

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
RECOMMENDED REPORTS TO BE ELIMINATED AND ADDITIONAL REPORTS TO BE SUBMITTED TO THE INMATE WELFARE COMMISSION FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Based on the review of the present reports submitted to the IWC, we recommend the following reports to be eliminated and additional reports to be prepared and submitted to the IWC.

Report to be Eliminated

Closing Statement of Net Assets – Replace this report with the Balance Sheet. It was noted the Department has already prepared the balance sheet, but it's not regularly submitted to the IWC. We understand that the focuses of the closing statement of net assets are the encumbrance, approved requests (authorized expenditures per the IWC, but no purchase orders have yet been issued) and remaining available funds for disposal. These amounts are very vital for the Commissioners' reference in making decisions about whether to approve or disapprove a funding request from the IWF. To avoid duplication of reports, we recommend using the balance sheet for this purpose. To capture the same data in the closing statement of net assets, the fund balance portion in the balance sheet can be revised to include the amount for approved requests, the only information not presented in the balance sheet because this is included in the undesignated fund balance amount.

Additional Reports to be Prepared and Submitted to the IWC

Monthly

1. Balance sheet –with comparative data of the previous month (Exhibit C-1)
2. Statement of revenues and expenditures – with comparative data of the previous month (at present, the revenues and expenditures are presented only as supporting schedules) (Exhibit C-2)

End of Year

1. Comparative balance sheets – with variance explanation (end of year only, period 13 of eCAPS) (Exhibit C-3)
2. Comparative statement of revenues and expenditures - with variance explanation (for the eCAPS period ended 13) (Exhibit C-4)

The sample formats of the foregoing reports are presented in the succeeding pages for additional reference.

Management's Response

Department agrees to all recommendations and will implement changes starting July 2010.

Exhibit C - 1

LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND
MONTHLY BALANCE SHEETS
AS OF _____
(Sample Format)

	Inmate Programs	Facilities Infrastructure	Current Month Total Inmate Welfare Fund	Last Month Total Inmate Welfare Fund
Assets				
Cash (Attachment I)	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Advances to HALPSD	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Interest receivable	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Due from other funds (Attachment II)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total assets	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Liabilities and Fund Balance				
Due to other funds (Attachment V)	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Accounts payable (Attachment VI)	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Vouchers payable (Attachment VII)	XX,XXX	XX,XXX	XX, XXX	XX,XXX
Deferred revenue	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total liabilities	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Fund balance				
Reserve for:				
Encumbrance (Attachment III)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Approved request (Attachment IV)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Outstanding requisitions (Attachment IV-A)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total reserve	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Available balance for encumbrance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total fund balance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total liabilities and fund balance	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX

Exhibit C - 2

LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND
STATEMENTS OF REVENUE AND EXPENSES
FOR THE MONTH ENDED_____
(Sample Format)

	Inmate Programs	Facilities Infrastructure	Current Month Total Inmate Welfare Fund	Last Month Total Inmate Welfare Fund
Revenue				
Commissions:				
Telephone	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Commissary (Keefe)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Vending machines	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total Commissions	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Hacienda La Puente	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Interest income	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Jail enterprise unit	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Vocational activities (Hobby Craft)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Miscellaneous	XX,XXX	XX,XXX	XX,XXX	XX,XXX
Total revenue	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Expenditures				
Badges, ID cards and emblems	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX
Inmate clothing	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Other personal supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Barber and personal hygiene supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Building systems	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Mail service	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Etc. (itemized based on chart of accounts)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Total expenditures	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Excess (deficit) of revenue over Expenditures	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Transfers out to County of LA	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)
Net excess (deficit) of revenue over Expenditures	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX

LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND
COMPARATIVE BALANCE SHEETS - END OF YEAR
AS OF _____ (Period 13)
(Sample Format)

	Current Year As of Period 13	Last Year As of Period 13	Variance	% of Variance	Variance Explanation
Assets					
Cash (Attachment I)	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Advances to HALPSD	XX,XXX	XX,XXX	XX,XXX	%	
Interest receivable	XX,XXX	XX,XXX	XX,XXX	%	
Due from other funds (Attachment II)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total assets	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Liabilities and Fund Balance					
Due to other funds (Attachment V)	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Accounts payable (Attachment VI)	XX,XXX	XX,XXX	XX,XXX	%	
Vouchers payable (Attachment VII)	XX,XXX	XX,XXX	XX,XXX	%	
Deferred revenue	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total liabilities	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Fund Balance					
Reserve for:					
Encumbrance (Attachment III)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Approved request (Attachment IV)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Outstanding requisitions (Attachment IV-A)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total reserve	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Available balance for encumbrance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total fund balance	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total liabilities and fund balance	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	

LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND
COMPARATIVE STATEMENTS OF REVENUE AND EXPENSES
FOR THE FISCAL YEAR ENDED (Period 1 to 13)
(Sample Format)

	Current Year Period 1 to 13	Last Year Period 1 to 13	Variance	% of Variance	Variance Explanation
Revenue					
Commissions:					
Telephone	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Commissary	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Vending machines	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total Commissions	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Hacienda La Puente	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Interest income	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Jail enterprise unit	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Vocational activities	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Indigent kits	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Miscellaneous	XX,XXX	XX,XXX	XX,XXX	%	
Total revenue	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Expenditures					
Badges, ID cards and emblems	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	
Inmate clothing	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Other personal supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Barber and personal hygiene supplies	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Building systems	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Mail service	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Etc. (itemized based on chart of accounts)	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Total expenditures	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Excess (deficit) of revenue over expenditures	XX,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX	%	
Transfers out to County of LA	(XX,XXX,XXX)	(XX,XXX,XXX)	(XX,XXX,XXX)	%	
Net excess (deficit) of revenue over expenditures	$ XX,XXX,XXX	$ XX,XXX,XXX	$ XX,XXX,XXX	%	

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF INTERNAL CONTROLS OVER REVENUE AND EXPENDITURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Overall, the results of our review of the Inmate Welfare Fund's internal controls, particularly in the areas of disbursements process and controls over revenues and expenditures, we found that the controls are generally working. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations regarding these matters are summarized below:

Finding 2008-01

The following check payments received were not "time and date stamped" (as required by the Department control procedures) that would indicate the date when the check was received. Hence, we could not determine whether the following checks were deposited in a timely manner.

Received From	Date of Check	Date Deposited	Amount of Check
Keefe –Web Sales Commission	4/2/2008	4/15/208	$ 57,638.80
Global Tel*Link Corporation	5/9/2008	5/13/2008	2,500,000.00
Compass Group	6/4/2008	6/10/2008	551,959.00
Global Tel*Link Corporation	1/09/2009	1/14/2009	11,806,465.00
Access Secure Pal	5/1/2009	5/8/2009	61,007.40

Recommendation

We recommend that the Department's requirement of time and date stamping of check receipts be strictly followed.

Management's Response

The Department agrees with the recommendation and will reiterate the requirement during employee refresher training.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF INTERNAL CONTROLS OVER REVENUE AND EXPENDITURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Finding 2008-02

A check received from the Compass Group in the amount of $40,025.03 was not deposited in a timely manner. This check was received on April 10, 2008, (Friday-per time and date stamped received) and deposited to the LA County Treasurer on April 16, 2008 (Wednesday).

Recommendation

We recommend that the Department deposits its cash receipts to the LA County Treasurer in a timely manner to maximize its interest earnings.

Management's Response

The Department agrees with the recommendation and will stress the value of more timely deposits during employee refresher training.

Finding 2008-03

A fund transfer from the Inmate Welfare Fund to the County's General Fund on August 20, 2009, (included in period 13 of the eCAPS) in the amount of $4,000,000 was inadequately supported. The journal voucher cash transfer (JVCT) for this transaction was only supported by an email communication between the County's Financial Programs Bureau staff, Sheriff's Department Fiscal Administration Director and accounting staff. Considering the substantial amount involved, more formal supporting documentation such as a fund transfer request form, approved budget, etc. should have been attached to this transaction to ensure that the transaction was properly authorized.

Recommendation

We recommend that fund transfers from the IWF to the County's General Fund be adequately supported by back-up documents.

Management's Response

The Department will develop a document for use with year-end fund transfers for General Fund reimbursement that includes appropriate signatures.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF INTERNAL CONTROLS OVER REVENUE AND EXPENDITURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

Finding 2008-04

A payment to the Hacienda La Puente School District in the amount of $2,651,717 for the first quarter payment for the fiscal year 2009-2010 was made on June 19, 2009, and was taken from the fiscal year 2008-2009 encumbrance/budget. However, this advance payment was recorded as part of the fiscal year 2008-2009 educational services expenditures, which resulted in overstating educational services expenditures for fiscal year 2008-2009 by that amount.

Recommendation

We recommend that such advance payment should not be recorded as expenditures for fiscal year 2008-2009, but as an advance payment to the District in order to reflect the actual educational services expenditures of the IWF as of June 30, 2009. Subsequently, that advance payment should be recognized as an expense for fiscal year 2009-2010.

Management's Response

The Department will implement the recommendation.

Exhibit E

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2008-2009	Management's Response
Exhibit B -1 of Previous Agreed-Upon Report:		
1. Submit the following additional reports to the Inmate Welfare Commission: • Monthly balance sheet • Monthly statement of revenues and expenditures • Monthly statement of expenditures report • Revenues and expenditures comparative schedules (including prior two years revenues and expenditures) for the respective month that is being submitted to the IWC	Only the balance sheet report was implemented. Our updated recommendation regarding this finding is presented in Exhibit C of this report.	The Department agrees with the recommendation and will start changes in July 2010.
Exhibit E of Previous Agreed-Upon Report:		
1. Availability of Funds – Include the prior year fund balance in the Statement of Net Assets report.	This recommendation has been implemented. The fund balance in the Statement of Net Assets Report already includes the prior year balance.	Not applicable

Exhibit E

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2008-2009	Management's Response
2. Manual processing and computing used to account for IWF funds - The Inmate Welfare Fund should acquire an accounting system that is specifically designed for a governmental organization and has the capabilities to perform the reportorial requirements of the Department. This would increase the amount of information available to the Department, decrease the amount of time involved in the preparation of reports and data, decrease the possibility of human errors, and increase the security flexibility of IWF accounting information	The Department is in the process of automating the preparation of monthly financial statements and related reports.	The Department is in the process of automating the preparation of monthly financial statements and related reports. It is expected to start in Fiscal Years 2010-11.
3. Untimely Refund of IWF Monies – The Department should follow-up with the Hacienda La Puente School District (District) at the end of each fiscal year in order to ensure that it receives its monies timely. The Department should also review the budget with the District in order to determine if amendments to the budget should be done in order to ensure	The Department was still experiencing delayed reimbursements from the District. This was because the Department was dependent on the State payment of ADA apportionment to the District which was also delayed. For the budget, the Department has worked with the District to restructure the previous quarterly payment	The Department is still dependent on the receipts of average daily attendance (ADA) apportionment from the State.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2008-2009	Management's Response
that budget is closer to actual costs that will be incurred.	process that was based on actual expenditures.	
4. Cash Basis of Accounting Used For Revenue Recognition – It was recommended that upon receiving the revenues, the Department should determine which period the revenues are for and book the revenues into the respective fiscal periods accordingly.	As of the end of fiscal year 2008-2009, the Department was still using cash basis method in recognizing revenues. The Department indicated that they will improve record keeping for the various revenue sources by including detailed transaction information into the subsidiary ledger for each revenue sources indicating which period the revenue belongs to.	The Department will include detailed transaction information in the subsidiary ledger for each revenue source indicating which period the revenue is associated with. The changes will be reflected starting July 2010.
5. Insufficient Cash Receipts Documentation – It was recommended that the Department obtain and attach sufficient documentation needed to support the recording of revenues into the appropriate period. Additionally, the Department should maintain a log of all monies that are received for each fiscal year. The log should identify what the money was received for, who it was received from, the period of service, the amount payment,	The documentation requirements for cash receipts have been implemented. However, the recommendation to maintain a cash receipts log was not implemented. We therefore reiterate the prior auditor's recommendation for the Department to maintain a cash receipts log.	The Department will maintain a cash receipt log starting in July 2010.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2008-2009	Management's Response
and the date of payment.		
6. Cash Receipts Are Not Deposited Timely – It was recommended that the Department deposits its revenues timely to the LA County Treasurer.	The same finding has been noted during fiscal year 2007-2008. Please see finding No. 2008-02 in Exhibit D of this report.	During employee refresher training the department will stress the need to make timely deposits.
7. Vending Machine Commissions Are Not Submitted Timely – The Department should follow-up each month with the vending machine company to ensure that payment is received promptly.	Resolved - vending machine commissions during fiscal year 2007-2008 and 2008-2009 were collected promptly.	Not applicable
8. Lack of Expenditure Supporting Documentation – The Department must obtain and retain all supporting documents to support all expenditure transactions.	The same finding has been noted for the fiscal year 2008-2009. Please see finding No. 2008-03 in Exhibit D of this report.	The Department will develop a document for use with year-end fund transfers for General Fund reimbursement that include appropriate signatures.
9. Lack of Purchase Compliance Checklist – The Department must obtain and retain completed purchase compliance checklists for all purchases for future verification.	This checklist was no longer required. This was eliminated with the implementation of eCAPS in July 2009. The three way match before payment (purchase order, delivery receipt and vendor's invoice) has been	Not applicable

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE FISCAL YEARS 2008-2009 AND 2007-2008

STATUS OF PRIOR YEARS AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2008-2009	Management's Response
	implemented electronically.	
10. No "PAID" Stamp – The Department should stamp "PAID" on all invoices immediately after payments are made to prevent invoices from being submitted for payment more than once.	The recommendation was implemented. Our disbursements testing disclosed no similar findings.	Not applicable

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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August 19, 2010

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles
Los Angeles, California

Dear Ms. Watanabe:

We have audited the basic financial statements of the County of Los Angeles Sheriff's Department Inmate Welfare Fund (IWF) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated August 19, 2010. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards (and when applicable, *Government Auditing Standards*)

Our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of IWF solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

There were no findings regarding significant control deficiencies over financial reporting and material noncompliance noted during our audit. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency which we reported to management of the County of Los Angeles Sheriff's Department in a separate Report on Applying Agreed-Upon Procedures dated August 19, 2010.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you during our entrance conference.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by IWF is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2009 and 2008. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are encumbrances. Encumbrances are estimations of cost related to unperformed contracts for goods and services.

Management's estimate of the encumbrance is based on expenditure that will ultimately result if unperformed contracts in process at fiscal year end are completed. We evaluated the key factors and assumptions used to develop the encumbrance and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting IWF's financial statements relate to Note 7, Subsequent Events.

> The Inmate Welfare Fund has an agreement with the Hacienda La Puente Unified School District (District) to establish, supervise, and maintain classes for adult education and to provide testing, guidance, and educational vocational services at the Sheriff's Facilities. The Inmate Welfare Fund makes quarterly payments throughout the fiscal year (based on an estimated amount determined prior to the start of the fiscal year) to reimburse the District for the cost of services provided for inmates. After the fiscal year end, the District determines the actual amount expended for the Inmate Welfare Fund and takes this difference and adds in the amount that the State reimbursed the District for the Average Daily Attendance (ADA) of the inmates. This amount is refunded back to the Inmate Welfare Fund. As of August 19,, 2010, the last

day of our fieldwork, the reimbursements for the fiscal year 2008-2009 had not yet received by the Inmate Welfare Fund.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to IWF.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to IWF's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated August 19, 2010.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with IWF, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as IWF's auditors.

This report is intended solely for the information and use of the use of the management of the County of Los Angeles Sheriff's Department, Board of Supervisors, Auditor Controller (Audit Division), and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
Thompson, Cobb, Bazilio & Associates, P.C.