COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
AUDITOR-CONTROLLER

September 27, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SHERIFF'S DEPARTMENT – INMATE WELFARE FUND FINANCIAL/ COMPLIANCE AUDIT – FISCAL YEAR 2010-11**

The Inmate Welfare Fund (IWF or Fund) is administered by the Sheriff's Department (Sheriff's), and governed by the Inmate Welfare Commission (Commission). The Commission is comprised 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, Bazilio Cobb Associates, P.C. (BCA), to conduct a financial/compliance audit of the IWF for Fiscal Year 2010-11. BCA'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. BCA conducted the audit under the Auditor-Controller's Master Agreement.

Review Summary

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

During the course of their review, BCA made the following recommendations regarding how the Sheriff's can strengthen its internal controls and operating efficiency:

- Consider automating the preparation of reports using computerized bookkeeping software, or design and capture the reports from eCAPS.

- Prepare and submit additional reports to the Commission.

BCA discussed the results of their review with Sheriff's and Commission representatives, who agreed with the recommendations above, and indicated they are working to implement them. BCA also recommended that the Sheriff's eliminate a report (Statement of Net Assets) submitted to the Commission to avoid duplication. The Sheriff's informed us that the Commission prefers to use the Statement of Net Assets report, and as a result, they plan to continue their current practice.

Prior Audit Reports

BCA's reports also indicate that, for five outstanding recommendations from two prior IWF audit reports (Fiscal Years 2004-05 through 2006-07 and Fiscal Years 2007-08 through 2008-09), two are fully implemented, two are partially implemented, and one is not implemented. The recommendation that is not implemented indicated the Department should change its basis of accounting for revenue recognition. The Sheriff's informed us that their current method enables the Department to accurately report revenue, and better determine which funds are available for expenditures. As a result, the Sheriff's indicated that they plan to continue their current practice.

We will work with the Sheriff's to determine whether the two recommendations the Department does not plan to implement should be addressed during a future audit. Details of BCA's recommendations and the Sheriff's responses on both the current and prior recommendations are discussed in Exhibits B through E (Pages 21-35 of 39) of BCA's attached reports.

Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:RS: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, 2011
(With Comparative Totals for 2010)

BCA

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COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

TABLE OF CONTENTS

Page

Independent Auditors' Report 1

Financial Statements

Balance Sheet 2

Statement of Revenues, Expenses and Changes in Fund Balance 3

Notes to Financial Statements 5

Independent Auditors' 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* 11

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' 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, 2011, 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 2010 financial statements and, in our report dated February 9, 2011 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, 2011, 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 June 8, 2012, 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.

Bazilio Cobb Associates

Torrance, CA
June 8, 2012

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

BALANCE SHEET
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Assets		
Assets		
Equity in cash and pooled investments	$47,542,555	$60,011,159
Interest receivable	5,525	68,253
Telephone commission receivable	816,523	-
Due from County of Los Angeles	710,448	1,134,536
Total assets	$49,075,051	$61,213,948
Liabilities and Fund Balance		
Liabilities		
Vouchers payable	$768,581	$472,743
Deferred revenue	-	4,690,155
Due to County of Los Angeles	7,395,615	10,464,853
Total liabilities	8,164,196	15,627,751
Fund Balance		
Committed	9,705,965	15,787,825
Unassigned	31,204,890	29,798,372
Total fund balance	40,910,855	45,586,197
Total liabilities and fund balance	$49,075,051	$61,213,948

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, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Revenues		
Commissions	$25,416,506	$30,278,787
Hacienda La Puente Education program refund	-	6,002,761
Investment income	639,591	1,441,007
Miscellaneous	283,460	266,199
Total operating revenues	26,339,557	37,988,754
Expenditures		
Food	9,933,960	12,636,573
Maintenance-building and improvements	5,000,431	4,871,447
Professional services	2,693,850	1,955,574
Technical services	1,735,036	9,439,774
Capital outlay	1,711,643	1,011,246
Administrative services	901,039	282,370
Special department expense	497,233	714,116
Small tools and minor equipment	481,065	276,669
Office expenses	352,937	436,259
Maintenance-equipment	305,782	226,408
Household expenses	283,868	68,399
Communications	258,172	24,284
Clothing and personal supplies	229,015	244,131
Rents and leases – equipment	186,217	312,197
Telecommunications	124,668	134,778
Computing personal	86,332	59,199
Transportation and travel	47,461	39,001
Computing mainframe	35,371	338,239
Training	13,541	4,240
Medical, dental and laboratory supplies	10,527	4,876
Memberships	887	307
Miscellaneous	-	4,862
Total operating expenses-carried forward	$24,889,035	$33,084,949

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Total operating expenses-brought forward	$24,889,035	$33,084,949
Excess of revenues over expenditures	1,450,522	4,903,805
Other financing sources (uses)		
Transfers-out to County of Los Angeles general fund	(7,353,000)	(10,400,000)
Excess (deficit) of revenues over expenditures and other financing uses	(5,902,478)	(5,496,195)
Fund balance at beginning of year, as originally stated	45,586,197	51,082,392
Prior-period adjustments (Note 10)	1,227,136	-
Fund balance at beginning of year, as restated	46,813,333	51,082,392
Fund balance at end of year	$40,910,855	$45,586,197

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Los Angeles Sheriff's Department 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 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 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 from the State 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.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 presents 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.

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.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011, the percentage of revenue received from each of the following companies to total revenues was as follows.

Revenue Source	Percentage to total Revenue
Commissions	
Global Tel*Link Corporation	36.8%
Commissary Commission-Keefe Commissary Network	58.4%
Vending Machine Commission – Compass Group	1.3%
Other Revenue	
Investment Income	2.4%
Miscellaneous (Vocational Activities, Jail Enterprise Unit, etc.)	1.1%

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, 2011, Comprehensive Annual Financial Report.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 non-current receivables; or c) they have been expended as inventory or prepayments.

NOTE 4 – ACCOUNTS RECEIVABLE

The Accounts Receivable amount represents the telephone commission for June 2011 not yet received.

NOTE 5 - TRANSFERS OUT

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

NOTE 6 - 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 IWF, by the County of Los Angeles and have not yet been transferred to the IWF as of the fiscal year ended June 30, 2011.

NOTE 7 - CAPITAL OUTLAY

Capital outlay consists of expenditures of equipment, machinery, and vehicles. The IWF 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 fiscal year ended June 30, 2011, Comprehensive Annual Financial Report for further information regarding capital outlays.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 - SUBSEQUENT EVENTS

The IWF 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 IWF 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 IWF 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 IWF.

During fiscal year 2010-2011, the IWF discontinued the adult education services provided by the District to the inmates due to the District's inability to meet the obligation of the agreement, particularly the remittance of the ADA reimbursement for the fiscal years 2008-2009 and 2009-2010. On May 17, 2011, the IWF formally informed the District of its intention to terminate its Adult Education Services Agreement effective August 15, 2011. On May 11, 2012, the IWF received $5,803,126 from the District as reimbursement of the FY 2008-2009 ADA apportionment. The ADA reimbursement for fiscal year 2009-2010 remains uncollected as of the date of this report.

NOTE 9 - COMMITMENTS

The IWF has a contract with AT&T, which was subsequently assigned to Global Tel*Link Corporation on February 21, 2010, in which it receives an annual amount for telephone commissions which is based on the contract terms. For the period December 13, 2009 to December 12, 2010, the annual contract amount was $11,069,981.

Effective January 1, 2011, the contract with Global Tel*Link Corporation was extended until October 31, 2011, in which payments of commissions to the County is on a monthly basis based upon actual commissions earned by the County. On November 1, 2011, a new Inmate Telephone System and Services was executed between the LA County Sheriff's IWF and Public Communication Services, Inc. The agreement will expire on October 31, 2016.

The IWF 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 IWF.

COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

The fund balance as of June 30, 2010 was restated to reflect the following adjustments:

Fund balance beginning, as originally stated	$ 45,586,197
Prior-period adjustments:	
1) Over deferral of telephone commission revenue as of June 30, 2010	714,095
2) True-up 2010 telephone commission revenue collected in January 2011	513,041
Fund balance beginning, as restated	$ 46,813,333

NOTE 11 – COMPARATIVE FINANCIAL DATA

The amounts shown for 2010 in the accompanying financial statements are included only to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

BCA Bazilio Cobb Associates

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INDEPENDENT AUDITORS' 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, 2011, and have issued our report thereon dated, June 8, 2012. 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.*

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, and the Inmate Welfare Fund Commission and is not intended to be and should not be used by anyone other than these specified parties.

Bazilio Cobb Associates

Torrance, CA
June 8, 2012

County of Los Angeles

SHERIFF'S DEPARTMENT INMATE WELFARE FUND

Report on Applying Agreed-Upon Procedures
For the Period July 1, 2010 Through June 30, 2011

BCA

BAZILIO COBB ASSOCIATES

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COUNTY OF LOS ANGELES
SHERIFF'S DEPARTMENT INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE PERIOD JULY 1, 2010 TO JUNE 30, 2011

TABLE OF CONTENTS

Page

Independent Auditors' Report on Applying Agreed-Upon Procedures 1

Management Letter 3

Results and Recommendations:

Exhibit A - Review of Average Daily Attendance Reimbursements 4

Exhibit B – Review of Financial Statements Format 5

Exhibit C – Recommended Reports to be Eliminated and Additional Reports to be Submitted to the Inmate Welfare Commission 10

Exhibit D – Review of Internal Controls 16

Exhibit E – Status of Prior Year's Audit Findings and Recommendations 17

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants
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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 (IWF) for the period July 1, 2010 through June 30, 2011.

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. Perform 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. Follow-up on the status of prior year's audit 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, 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.

Bazilio Cobb Associates

June 8, 2012
Torrance, California

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

t: f:

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 year ended June 30, 2011 (on which we have issued our reports dated June 8, 2012), 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.

During our audit, we noted no matters involving internal control and operational matter that is presented for your consideration as summarized in Exhibit D.

This communication is intended solely 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, and the Inmate Welfare Commission and is not intended to be and should not be used by anyone other than these specified parties.

Bazilio Cobb Associates
June 8, 2012
Torrance, California

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

There were no payments made to Hacienda La Puente School District for the period July 1, 2010 through June 30, 2011. The adult education services provided by the Hacienda La Puente District to the inmates terminated as of August 15, 2011.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

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 or disapprove a funding request.	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: As in the prior year's audit, it is recommended to eliminate this report and replace with the balance sheet report (see sample format at Exhibit C). Management's Response: The suggested format has the same information as our current monthly balance sheet. The difference is that our monthly balance sheet has an additional column for the anticipated revenue. Without showing the anticipated revenue, the available fund balance will be lower. The Inmate Welfare Commissioner (IWC) reviews the monthly statement of net assets and approves future projects, taking into consideration the anticipated revenue. Many of the yearly projects are set up at the beginning of the fiscal year. If there is no anticipated revenue, projects cannot be set up and it will appear that there are no available funds to cover the costs. The department will not be implementing the auditor's recommendation based on the need to include the anticipated revenue. Including the anticipated revenue helps the IWC approve projects early in the year and year-round.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
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 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.	As is, no improvements recommended.
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	As is, no improvements recommended.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
to other funds flows to the Closing Statement of Net Assets.	
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.
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, 2011. 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.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

Reports Submitted to Inmate Welfare Commission	Observations, Recommendations and Management's Response
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.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

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 indicated 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. To date, the automation of the schedule of expenditures and schedule of encumbrances have already been implemented. The County's software programmer is currently working on the automation of the various other reports.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

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 was not regularly submitted to the IWC. We understand that the focuses of the closing statement of net assets are the encumbrances, 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

As recommended in our prior-year audit report, the following additional reports should 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.

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 PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

Management's Response

As stated in the prior year response, the Department agrees to all recommendations, however due to staff being on extended leave, implementation of all the recommended changes was not completed. With the return of staff from extended leave, the implementation process continues. The statement of net assets with comparative data of the previous month has been completed. Completion of the remaining reports is anticipated starting July 2013.

Exhibit C - 1

LA COUNTY SHERIFF'S DEPARTMENT INMATE WELFARE FUND
MONTHLY BALANCE SHEET
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
STATEMENT 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 SHEET - 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 STATEMENT 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	%	

Exhibit D

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
REVIEW OF INTERNAL CONTROLS OVER REVENUE AND EXPENDITURES
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

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. We noted no findings nor internal control weaknesses during our audit for the fiscal year 2010-2011.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

STATUS OF PRIOR YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2010-2011	Management's Response
Finding 2008-03 *Fund transfers from the Inmate Welfare Fund to the County's General Fund were not adequately supported by back-up documents.* It was recommended that fund transfers from the IWF to the County's General Fund be adequately supported by back-up documents.	**Resolved.** Transfer to the County General Fund during fiscal year 2010-2011 was adequately supported by back-up documents.	
Prior-Auditor's Recommendations:		
1. *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.	**Partially Resolved.** As of June 30, 2011, the Expenditure Detail and Encumbrance Detail Schedules have been automated. Other reports and schedules continue to be prepared using excel software.	The Department is in the process of automating the preparation of monthly financial statements and related reports.

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

STATUS OF PRIOR YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2010-2011	Management's Response
2. *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.	**Partially Resolved.** The latest reimbursement received from the District was on May 11, 2012, which was applicable for FY 2008-2009 Average Daily Attendance (ADA) apportionment. The Department sent a demand letter to the District for the FY 2009-2010 ADA reimbursement. The adult education services provided by the District to the Inmates was terminated during fiscal year 2010-2011.	Outside Counsel is currently mediating the outstanding balance with Hacienda La Puente. In the event a resolution cannot be agreed upon, the Sheriff's Department will pursue legal action.
3. *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.	**Not Resolved.** As of the end of fiscal year 2010-2011, the Department continues to use the cash basis method in recognizing revenues.	The Department will continue recognizing revenue using the cash basis method. This will enable the Department to accurately reflect the revenue collected and to better determine the funds available for expenditure. However, detailed transaction information is included in

LOS ANGELES COUNTY
SHERIFF'S INMATE WELFARE FUND

AGREED-UPON PROCEDURES
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

STATUS OF PRIOR YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS

Prior Years Audit Findings and Recommendations	Status as of FY 2010-2011	Management's Response
		the subsidiary ledger for each revenue source indicating which period the revenue is associated with.
4. *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, and the date of payment.	**Resolved.** The department currently maintains a cash receipt log.	

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

t: f:

June 8, 2012

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 year ended June 30, 2011, and have issued our report thereon dated June 8, 2012. 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.

Washington www.baziliocobb.com Los Angeles

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 2011. 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 8, Subsequent Events.

> The IWF had 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 IWF 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 IWF 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 IWF.

During fiscal year 2010-2011, the IWF terminated the adult education services provided by the District to the inmates due to the District's inability to meet the obligation of the agreement, particularly the remittance of the ADA reimbursement for the fiscal years 2008-2009 and 2009-2010. On May 17, 2011, the IWF formally informed the District of its intention to terminate its Adult Education Services Agreement effective August 15, 2011. On May 11, 2012, the IWF received $5,803,126 from the District as reimbursement of the FY 2008-2009 ADA apportionment. The ADA reimbursement for fiscal year 2009-2010 remains uncollected as of the date of this report.

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 June 8, 2012.

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, 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,

Bonilio Cohn Associates