



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR  
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

Transmitted via e-mail

January 30, 2012

Ms. Dalinda Harman, Acting Chief, Contract Beds Unit  
California Department of Corrections  
and Rehabilitation  
10961 Sun Center Drive  
Rancho Cordova, CA 95670

Dear Ms. Harman:

**Final Report—Claremont Custody Center Community Correctional Facility Close-Out Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its close-out audit of the Claremont Custody Center Community Correctional Facility (Facility) for the period April 1, 2009 through August 7, 2011.

The enclosed report is for your information and use. Because there were no audit observations or issues requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the City of Coalinga and the Facility. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

***Original signed by:***

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Lydia Romero, Chief Deputy Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Ms. Joan Smith, Associate Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Robert Logan, Staff Services Manager I, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Darrel L. Pyle, Interim City Manager, City of Coalinga  
Ms. Mari Jimenez, Assistant Financial Services Director, City of Coalinga

# Audit Report

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Claremont Custody Center  
Community Correctional Facility  
Contract R89.1591.100  
For the Period April 1, 2009  
through August 7, 2011

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Jennifer Whitaker  
Manager

John Rogers, CPA  
Supervisor

Staff  
Renato Lim, CIA  
Issa Ndiaye

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

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# BACKGROUND, SCOPE, AND METHODOLOGY

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## BACKGROUND

The California Department of Corrections and Rehabilitation (Corrections) administers the Community Correctional Facility Program (Program). The Program is intended to ease overcrowding in state institutions, reduce the need for building new state correctional institutions, and provide a financial benefit for the local community in which the facility is located. The Community Correctional Facilities Administration within Corrections is responsible for the on-site administration of the Program.

Penal Code section 6256 authorizes Corrections to enter into contracts with appropriate public and private entities to provide housing, sustenance, supervision, inmate work incentive programs, education, vocational training, pre-release program assessment planning, and other services as stipulated. Corrections contracted with the City of Coalinga (City), for the operation of the Claremont Custody Center Community Correctional Facility (Facility). On May 10, 2011, Corrections provided the City the required 60 day notice of intent to terminate contract R89.1591.100 under which the Facility is administered. Accordingly, the contract was terminated and the Facility closed effective August 7, 2011.

Contract R89.1591.100 requires the Facility to account for its funds separately from its general operations. Below is a description of each fund held by the Facility:

- *Inmate Telephone Revenue Fund (ITRF)*—A fund operated to augment, among other items, the budgeted education program costs of the Facility, funded through a percentage of inmate collect call revenues.
- *Equipment Replacement Fund (ERF)*—A fund operated for the replacement of non-expendable assets of the Facility through funding by Corrections.
- *Inmate Welfare Fund (IWF)*—A fund operated for the benefit and welfare of inmates who are under the jurisdiction of Corrections.
- *Inmate Trust Fund (ITF)*—A fund that accounts for moneys belonging to inmates through work performed or money received from family or friends.

## SCOPE

In accordance with an interagency agreement with Corrections, the Department of Finance, Office of State Audits and Evaluations (Finance), conducted a close-out audit of contract R89.1591.100 between Corrections and the City for the period April 1, 2009<sup>1</sup> through August 7, 2011. Our review focused on the ending balances for ITRF, ERF, and IWF. The audit objectives were to:

- Determine whether the funds' financial reports accurately represent revenues received and expenditures incurred.

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<sup>1</sup> Date of Finance's last audit.

- Review the activities and contract compliance of the funds.
- Determine the ending balance for each fund.

We also performed a review of the ITF, limited to identifying any inmate trust accounts dormant within six months prior to the Facility closing.

## **METHODOLOGY**

To determine whether the ending balances were accurate, complete, and proper for the ITRF, ERF, and IWF, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of fund-related internal controls.
- Examined the contract files, the contract agreement, and applicable policies and procedures.
- Verified that the Facility maintained the funds in accordance with contract requirements.
- Reviewed the accounting records, vendor invoices, and related vendor contracts.
- Selected a sample of expenditures to determine if costs were allowable, supported, and properly recorded.
- Performed procedures to determine if reported revenues were supported, complete, and accurate.
- Identified and assessed the propriety of any fund transfers.

We performed the following limited procedures to identify any dormant trust accounts in the ITF:

- Interviewed key personnel.
- Reviewed trust account balances to identify whether dormant inmate accounts existed within six months of the Facility closing.

The results of the audit are based on our review of documentation and other information made available to us. The audit was conducted from September 2011 through January 2012.

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

The ending balances for each fund are presented in Tables 1-3.

**Table 1: Inmate Telephone Revenue Fund Close-Out Balance**

<b>Inmate Telephone Revenue Fund For the Period April 1, 2009 through August 7, 2011</b>	
Beginning Fund Balance as of April 1, 2009	\$297,705
Add: Revenues	164,333
Less: Expenditures	(290,932)
Ending Fund Balance as of August 7, 2011	<u>\$171,106</u>

**Table 2: Equipment Replacement Fund Close-Out Balance**

<b>Equipment Replacement Fund For the Period April 1, 2009 through August 7, 2011</b>	
Beginning Fund Balance as of April 1, 2009	\$220,999
Add: Revenues	136,308
Less: Expenditures	(292,181)
Ending Fund Balance as of August 7, 2011	<u>\$ 65,126</u>

**Table 3: Inmate Welfare Fund Close-Out Balance**

<b>Inmate Welfare Fund For the Period April 1, 2009 through August 7, 2011</b>	
Beginning Fund Balance as of April 1, 2009	\$181,111
Add: Revenues	567,385
Less: Expenditures	(605,674)
Ending Fund Balance as of August 7, 2011	<u>\$142,822<sup>1</sup></u>

<sup>1</sup> Ending fund balance includes a \$15,000 cash advance to the ITF, which has not been repaid to the IWF as of August 7, 2011.

## Inmate Trust Fund

The review of the Inmate Trust Fund was limited to identifying any dormant inmate trust accounts outstanding within six months prior to the Facility closing. The ending balance as reported by Facility management is presented here for illustration purposes only. The reported amounts were not audited and, therefore, should not be relied upon for accuracy and completeness. During our audit, we did not find any dormant accounts.

**Table 4: Schedule of Inmate Trust Fund (Unaudited)**

<b>Inmate Trust Fund Reported Ending Balance For the Period April 1, 2009 through August 7, 2011</b>	
	<b>Reported</b>
Beginning Fund Balance as of April 1, 2009	\$95,305
Deposits	933,489
Disbursements	(1,017,239) <sup>2</sup>
Ending Fund Balance as of August 7, 2011	<u>\$11,555</u>

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<sup>2</sup> The City identified \$6,067 in unclaimed property, which represents inmate refund checks outstanding over a year. The City recognizes the moneys should be remitted to Corrections.