



Transmitted via email

November 15, 2013

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

Dear Ms. Harman:

**Final Report—Lassen Community Correctional Facility Close-Out Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its close-out audit of Lassen Community Correctional Facility, contract R90.1591.107, for the period April 3, 2008 through July 7, 2011.

The Lassen Community Correctional Facility's response to the report observations and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of the County of Lassen and the Facility. If you have any questions regarding this report, please contact Cheryl McCormick, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Acting Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Joseph Moss, Chief Deputy Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Brian K. Coates, Associate Warden, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Ms. Flordeliza Ligaya, Staff Services Manager I, Contract Beds Unit, California Department of Corrections and Rehabilitation  
Mr. Dean F. Growdon, Sheriff, Lassen County Sheriff's Office  
Mr. John Mineau, Under Sheriff, Lassen County Sheriff's Office  
Ms. Karen Fouch, Auditor, County of Lassen  
Ms. Gina Mineau, Executive Assistant, County of Lassen

# Audit Report

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Lassen Community Correctional Facility

Contract R90.1591.107

For the Period April 3, 2008

through July 7, 2011

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

## **MEMBERS OF THE TEAM**

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

You can contact our office at:

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# TABLE OF CONTENTS

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Background, Scope and Methodology.....	1
Results.....	3
Response.....	6
Evaluation of Response .....	9

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

The California Department of Corrections and Rehabilitation (CDCR) 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 CDCR is responsible for the on-site administration of the Program.

Penal Code section 6256 authorizes CDCR 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. CDCR contracted with the County of Lassen (Lassen), for operation of the Lassen Community Correctional Facility (Facility).

On June 15, 2011, CDCR provided Lassen management the required 60-day notice of intent to terminate contract R90.1591.107 under which the Facility is administered. Accordingly, the contract was terminated and the Facility closed effective July 7, 2011.

Contract R90.1591.107 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 CDCR.
- *Inmate Welfare Fund (IWF)*—A fund operated for the benefit and welfare of inmates who are under the jurisdiction of CDCR.
- *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 CDCR, the Department of Finance, Office of State Audits and Evaluations (Finance), conducted a close-out audit of contract R90.1591.107 between CDCR and Lassen for the period April 3, 2008<sup>1</sup> through July 7, 2011 for ITRF and IWF and June 1, 2008<sup>2</sup> through July 7, 2011 for ERF. Our review focused on the ending balances for the ITRF, ERF, and IWF.

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

<sup>2</sup> Date of Finance's last audit.

The audit objectives were to:

- Determine whether the funds' financial reports accurately represent revenues received and expenditures incurred.
- Review the activities and contract compliance of the funds.
- Determine the ending balances 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 trust accounts existed within six months of the Facility closing.

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 results of the audit are based on our review of the documentation and other information made available to us. The ending balances for each fund are presented in Tables 1 through 4.

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

<b>Inmate Telephone Revenue Fund For the Period April 3, 2008 through July 7, 2011</b>		
<b>Category</b>	<b>Reported</b>	<b>Questioned</b>
Beginning Fund Balance as of April 3, 2008	\$ 167,223	\$ 0
Add: Revenues	138,090	0
Less: Expenditures	(143,157)	(27,890) <sup>1</sup>
Ending Fund Balance as of July 7, 2011	\$ 162,156 <sup>2</sup>	\$ (27,890)

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

<b>Equipment Replacement Fund For the Period June 1, 2008 through July 7, 2011</b>	
<b>Category</b>	<b>Reported</b>
Beginning Fund Balance as of June 1, 2008	\$ 214,939
Add: Revenues	123,403
Less: Expenditures	(59,134)
Ending Fund Balance as of July 7, 2011	\$ 279,208

<sup>1</sup> See Observation 1.

<sup>2</sup> The Facility combines the IWF and ITRF balances within its Fund 132. The reported IWF balance had a negative ending balance during the audit period. The combined balance for both the IWF and ITRF funds was \$60,074 as of July 7, 2011.

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

<b>Inmate Welfare Fund For the Period April 3, 2008 through July 7, 2011</b>	
<b>Category</b>	<b>Reported</b>
Beginning Fund Balance as of April 3, 2008	(\$45,348)
Add: Revenues	179,994
Less: Expenditures	(236,728)
Ending Fund Balance as of July 7, 2011	(\$102,082)

**Inmate Trust Fund**

The review of the ITF was limited to identifying any dormant inmate trust accounts outstanding within the last 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 were unable to determine the existence of inmate dormant accounts. See Observation 2.

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

<b>Inmate Trust Fund For the Period June 1, 2008 through July 7, 2011</b>	
<b>Category</b>	<b>Reported</b>
Beginning Fund Balance as of June 1, 2008	\$35,447
Add: Deposits	273,710
Less: Disbursements	(290,987)
Ending Fund Balance as of July 7, 2011	\$18,170 <sup>3</sup>

<sup>3</sup> Lassen reported a balance in the ITF of \$18,170 as of July 7, 2011. Subsequently, Lassen distributed payments to inmates totaling \$948. The reported fund balance is \$17,222 as of July 31, 2011.

### **Observation 1: Unauthorized Transfer of Funds**

The Facility transferred \$27,890 from the Inmate Telephone Revenue Fund (ITRF) to pay Facility operations payroll costs without CDCR's pre-approval. ITRF funds can only be used for specific purposes as outlined in the contract. Sufficient and adequate financial records to substantiate the expenditures were not provided.

Contract R90.1591.107, Amendment 10, section 44, requires CDCR's approval on all ITRF expenses.

Section III.B of the Financial Management Handbook for Public Community Facilities (Handbook) requires that all transactions will be supported by sufficient, competent, and relevant source documentation.

#### **Recommendation:**

CDCR will make the final determination in recovering the \$27,890.

### **Observation 2: Existence of Inmate Dormant Accounts Undetermined**

Facility management reported \$18,170 in the Inmate Trust Fund as of July 7, 2011. Sufficient supporting financial records were not provided to substantiate the composition of \$17,222 of those funds or the existence of inmate dormant accounts within those funds. As a result, we were unable to determine whether inmate dormant accounts existed as of Facility closing on July 7, 2011.

Section III.B of the Handbook requires that all transactions will be supported by sufficient, competent, and relevant source documentation.

#### **Recommendation:**

CDCR will make the final determination regarding disposition of the \$17,222.





# LASSEN COUNTY SHERIFF'S OFFICE

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**Dean F. Growdon**  
Sheriff - Coroner

Karis Feldkamp,  
Finance program Evaluator  
Office of State Audits and Evaluations

October 28, 2013

This letter is in response to the close out audit letter for Lassen CCF. The letter cited two observations to be included in the draft audit report.

1. The transfer of \$27,890 from the Inmate Telephone Revenue Fund to cover payroll costs and for which the facility did not receive prior approval from the California Department of Corrections and Rehabilitation (CDCR)

Lassen Response: CCFA did not provide sufficient funding to support CCF operations. Specifically, during the final two years of the contract, Lassen CCF experienced a short fall of \$220,128 during FY 2009-10 and an additional \$187,715 in FY 2010-11. Lassen County shifted \$27,890 from the ITRF to help offset the shortage. Those funds were used to pay for the: Correctional Counselor, Educator, and Maintenance Supervisor for a three month period. Each of those positions existed to support the health and benefit of inmates. The transfer was necessary to support those positions. The transfer was made in accordance with the county budget act in the California Government Code.

2. Insufficient records to determine whether the \$17,222 in the Inmate Trust Fund were actually dormant inmate accounts

Lassen Response: Lassen County sent all "dormant" inmate funds to the state as is required. The \$17,222 balance from the inmate trust fund was an accumulation of funds that had not been returned to the inmate welfare fund. Lassen CCF continued to make payments to CCF inmate workers even during the periods where CCFA failed to pay the county, or significantly delayed payment. Lassen CCF had to maintain a balance in the inmate trust fund to ensure adequate

funds existed to pay inmate workers. If not for the fund balance, Lassen CCF would not have paid inmate workers. Now that all dormant accounts are closed and the finance audit is complete, all funds in the inmate trust fund will transfer back to the inmate welfare fund.

If you have any questions please contact me.

Original signed by:

John Mineau, Undersheriff  
Lassen County Sheriff's Office

## EVALUATION OF RESPONSE

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The Facility's response to the draft report has been reviewed and incorporated into the final report. In evaluating the Facility's response, we provide the following comments:

**Observation 1: Unauthorized Transfer of Funds**

The auditee did not dispute the finding, explaining that the money was transferred to cover the costs of operating the facility and in accordance with the county's budget act.

**Observation 2: Existence of Inmate Dormant Accounts Undetermined**

The auditee did not dispute the finding, explaining that all available documents had been provided to Finance and stating that all funds not needed to pay inmate workers will transfer back to the Inmate Welfare Fund.