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LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

Inmate Welfare Fund Audit Financial Programs Bureau Project No. 2025-19-A

Prepared By:
Audit and Accountability Bureau



2025

**Los Angeles County Sheriff's Department
Audit and Accountability Bureau**

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AUDIT REPORT

PURPOSE

The Audit and Accountability Bureau (AAB) conducted the Inmate Welfare Fund Audit under the authority of the Sheriff of Los Angeles County. The audit was performed to determine whether the Los Angeles County Sheriff's Department (LASD or the Department) complied with California Penal Code Section 4025¹, and Department policies and procedures governing the use of the Inmate Welfare Fund (IWF).

The AAB conducted this audit under the guidance of Generally Accepted Government Auditing Standards (GAGAS)², specifically pertaining to performing the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The AAB believes the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. This audit did not constitute an audit of financial statements, or an attestation level report as defined under GAGAS.

BACKGROUND

The IWF plays a crucial role in supporting the well-being of individuals incarcerated within the Los Angeles County correctional system. Funded primarily by commissary sales, the proper and compliant use of the IWF is essential to effectively address inmate welfare needs, as mandated by California Penal Code Section 4025. Recent observations from the Office of the Inspector General (OIG) have highlighted the importance of oversight and management of this critical fund. Specifically, the OIG's [fourth quarterly report](#)³ for 2024, issued on February 26, 2025, included the following comment regarding the IWF Audit issued by the AAB on October 10, 2024:

¹ Penal Code Section 4025 states that the sheriff of each county may establish, maintain and operate a store in connection with the county jail and any profit shall be deposited in an inmate welfare fund to be kept in the treasury of the county. The money and property deposited 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.

² The GAGAS, also known as the Yellow Book, is issued by the Comptroller General of the United States through the U.S. Government Accountability Office and refers to *Government Auditing Standards*, July 2018 Revision, Technical Update April 2021.

³ These quarterly reports provide an overview of the OIG's regular monitoring, auditing, and review of activities related to the Department over a given three-month period, including the audit work plans and completed audits performed by the AAB.

- *Inmate Welfare Fund (IWF) Audit – Financial Programs Bureau (2023-10-A): an assessment of the policies and procedures for adherence to internal controls, County rules, and best practices for procurement and expenditures. The audit makes appropriate recommendations to ensure that policies are regularly updated, and staff are trained to ensure adherence to internal controls. The audit did not cover the use of funds for inmate welfare, which is of greater concern to the County given that the IWF is funded by revenue from jail commissary sales as noted in the Board motion of July 9, 2024. The Office of Inspector General report, [Report Back on People Over Profit: Fairness and Equity in Commissary Prices for the Los Angeles County Jails](#) discusses the relationship between commissary pricing and IWF funding.*

The Los Angeles County Auditor-Controller (A-C) had previously issued a report on December 14, 2021, in response to the following request from the Los Angeles County Board of Supervisors (Board):

- *Motion Directive 2.a - An evaluation of the Sheriff's usage of IWF revenues and whether the expenditures complied with California Penal Code 4025.*

The Board request was addressed through a contracted [compliance audit](#) conducted by a Certified Public Accountant firm, BCA Watson Rice LLP (BCA), for Fiscal Years 2017-2018, through 2020-2021. The audit report by the BCA indicated that the Department complied, in all material respects, with the utilization/expenditure requirements applicable to the IWF prescribed in the California Penal Code Section 4025. However, since fiscal year 2020-21, there have been no financial and compliance audits specifically focused on the use of the IWF funds, conducted by either external or internal auditors.

To address the recent concerns raised by the OIG and ensure continued compliance with California Penal Code Section 4025, the AAB conducted an audit of the current fiscal year's IWF expenditures. This audit specifically evaluated how funds were utilized for inmate welfare, a concern highlighted by the OIG. Moreover, considering the absence of focused audits on IWF expenditures since the BCA report, this audit was necessary to provide an updated assessment of the Department's adherence to legal requirements and the appropriate allocation of these funds for the inmate population's benefit. The results of this audit are crucial for promoting transparency, accountability, and the effective management of the IWF.

PRIOR AUDITS

This is the second audit regarding the IWF conducted by the AAB. The first [Inmate Welfare Fund Audit \(Project No. 2023-10-A\)](#) was conducted at the request of the Financial Programs Bureau (FPB) and published on October 10, 2024.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit work plan was developed as a general strategy and approach for conducting the IWF Compliance Audit. This plan will ensure appropriate attention was devoted to specific operational concerns, compliance with applicable policies and best practices, and ensure the audit work demonstrates the auditor's independence and objectivity to support the results.

Audit Scope and Criteria

The scope of this audit was to evaluate the IWF expenditures incurred by the Department and managed by the Financial Program Bureau's Special Funds Accounting Unit (SFA). SFA (process owner⁴) monitors the IWF expenditures and encumbrances⁵, and manages the IWF expenditure budget.

The Department's compliance was measured against relevant criteria, which included the California Penal Code Section 4025, and Department policies and procedures.

The auditors reviewed the supporting documents maintained and kept by the SFA Unit, including:

- Approved Purchase Requisition (PR) records, Departmental Requisition Forms (DRF), Purchase Orders (PO) and/or Invoices.
- Contracts and justification memos or approval forms, if applicable.
- Payment records from the electronic Countywide Accounting and Purchasing System (eCAPS), a software application that monitors purchases and acquisition activities from requisition to payment and effectively manages budget allocations.
- IWF Monitoring Logs (IWF Project Control Log, IWF Project Expenditure Log, etc.)
- IWF Reports (eCAPS Expenditures Detail Report, IWF Budget vs. Expenditure Report, etc.)

⁴ A process owner is a person or team that is responsible for a specific process within an organization. They are accountable for the design, implementation, monitoring, and continuous improvement of the process, ensuring it operates seamlessly and delivers the expected results.

⁵ An "encumbrance" represents a commitment of funds for a specific purpose before the actual expenditure occurs. It's setting aside money for anticipated future expenses based on purchase orders, contracts, or other obligations.

Audit Population and Sampling

The audit population included all Fiscal Year 2024-2025 IWF expenditures (expenses) as of March 31, 2025. The IWF expenditure consisted of jail maintenance expenditures and program expenditures. To determine the audit population, auditors analyzed eCAPS Expenditure Reports and Inmate Welfare Expenditure Reports maintained by the Financial Programs Bureau for the months of July 2024, through March 2025.

During the audit period, the Department had 343 IWF expenditure transactions amounting to approximately \$11,967,814. The total IWF expenditures and encumbrances balance were \$15,494,046 as of March 2025. The tables below (Table No. 1, 2, and 3) summarize the breakdown of IWF expenditures categorized by use (Programs or Facilities), as reported in the Inmate Welfare Expenditure Reports.

Table No. 1 – Summary of Year-to-Date IWF Expenditures and Encumbrances

| IWF Category | Programs | Facilities | Total |
|-------------------------------|------------------------|---------------------|------------------------|
| IWF Expenditures | \$11,333,695.95 | \$634,117.57 | \$11,967,813.52 |
| IWF Encumbrances ⁶ | \$3,356,870.07 | \$169,362.04 | \$3,526,232.11 |
| TOTAL | \$14,690,566.02 | \$803,479.61 | \$15,494,045.63 |

Table No. 2 – Summary of Monthly IWF Expenditures

| Month / Year | Programs | Facilities | Total IWF Expenditures |
|----------------|------------------------|---------------------|------------------------|
| July 2024 | \$230,157.81 | \$39,938.16 | \$270,095.97 |
| August 2024 | \$1,306,982.92 | \$417,280.51 | \$1,724,263.43 |
| September 2024 | \$314,813.81 | \$284,744.17 | \$599,557.98 |
| October 2024 | \$1,043,829.22 | \$168,125.30 | \$1,211,954.52 |
| November 2024 | \$831,084.43 | \$152,747.23 | \$983,831.66 |
| December 2024 | \$2,894,489.11 | \$187,746.58 | \$3,082,235.69 |
| January 2025 | \$738,815.01 | \$237,835.14 | \$976,650.15 |
| February 2025 | \$3,170,815.28 | \$145,919.62 | \$3,316,734.90 |
| March 2025 | \$802,708.36 | (\$1,000,219.14) | (\$197,510.78) |
| TOTAL | \$11,333,695.95 | \$634,117.57 | \$11,967,813.52 |

⁶ The reported encumbrances include Facilities Services Bureau (FSB) jail repairs and maintenance POs carried over from FY 2023-24, as well as POs placed in July 2024 of FY 2024-25.

Table No. 3 – Summary of Monthly IWF Encumbrances

| Month / Year | Programs | Facilities | Total IWF Encumbrances |
|----------------|-----------------------|---------------------|------------------------|
| July 2024 | \$158,927.00 | \$1,325,521.97 | \$1,484,448.97 |
| August 2024 | \$1,777,167.36 | \$172,332.59 | \$1,949,499.95 |
| September 2024 | (\$275,766.80) | (\$325,681.94) | (\$601,448.74) |
| October 2024 | (\$584,592.69) | (\$173,168.82) | (\$757,761.51) |
| November 2024 | \$5,605,875.04 | (\$141,353.85) | \$5,464,521.19 |
| December 2024 | (\$879,611.53) | (\$188,134.53) | (\$1,067,746.06) |
| January 2025 | (\$732,001.23) | (\$239,387.48) | (\$971,388.71) |
| February 2025 | (\$974,129.00) | (\$196,237.70) | (\$1,170,366.70) |
| March 2025 | (\$738,998.08) | (\$64,528.20) | (\$803,526.28) |
| TOTAL | \$3,356,870.07 | \$169,362.04 | \$3,526,232.11 |

Using a one-tailed statistical test with a 95% confidence level and a 4% error rate, the auditors determined an initial sample size of 75 IWF expenditures. The sample size of 75 IWF expenditures was prorated⁷ based on the weighted percentage of total IWF expenditures per eCAPS category (Object Class) to the total IWF expenditures and encumbrances balance as of March 31, 2025. This resulted in a new sample size of 61 IWF expenditures. Auditors then reviewed the individual transactions within each Object Class and further adjusted the sample size to 30 IWF expenditures. The sample size was reduced due to the limited number of vendors providing custody services, as only a small group of vendors accounted for the 30 IWF expenditures. Table No. 5 below illustrates the dollar amount for each Object Class, as well as its weighted percentage. Table No. 6 below illustrates the number of samples for each Object Class.

⁷ In the context of sampling, "prorated" refers to adjustments made to reflect the proportions of different groups or strata within a population when selecting a sample. It's often used in methods like stratified sampling, where the population is divided into subgroups and the sample is drawn proportionally to their size.

Table No. 5 – Summary of IWF Expenditures and Encumbrances by eCAPS Object Class

| Object Class in eCAPS | IWF Expenditures | IWF Encumbrances | Total IWF Expenditures and Encumbrances | % of Total Expenditures and Encumbrances* |
|---|------------------------|-----------------------|---|---|
| 20C Clothing & Personal Supplies | \$179,803.24 | \$260,172.00 | \$439,975.24 | 3% |
| 20D Communications | \$197,696.18 | \$600.00 | \$198,296.18 | 1% |
| 20F Household Expense | \$10,793.31 | \$8,625.63 | \$19,418.94 | 0% |
| 20J Maintenance - Equipment | \$33,709.00 | \$28,887.50 | \$62,596.50 | 0% |
| 20K Maintenance-Buildings & Improvements | \$266,166.18 | \$36,959.25 | \$303,125.43 | 2% |
| 20M Memberships | \$1.97 | - | \$1.97 | 0% |
| 20N Miscellaneous Expense | \$27,040.00 | - | \$27,040.00 | 0% |
| 20P Office Expense | \$3,432.52 | - | \$3,432.52 | 0% |
| 20Q Administrative Services | \$72.00 | \$8,031.00 | \$8,103.00 | 0% |
| 20R Professional Services | - | \$8,450.00 | \$8,450.00 | 0% |
| 20S Technical Services | \$346,466.30 | \$3,180.23 | \$349,646.53 | 2% |
| 20U Rents & Leases - Equipment | \$147,703.06 | \$21,900.00 | \$169,603.06 | 1% |
| 20V Contracted Program Services | - | \$120,000.00 | \$120,000.00 | 1% |
| 20X Small Tools & Minor Equipment | \$47,807.47 | \$64,519.65 | \$112,327.12 | 1% |
| 20Y Special Departmental Expense | \$6,388,380.85 | \$2,813,311.44 | \$9,201,692.29 | 60% |
| 21A Transportation and Travel | \$2,436.20 | \$9,943.54 | \$12,379.74 | 0% |
| 22A Computing-Personal | \$34,195.21 | - | \$34,195.21 | 0% |
| 22C Computing-Midrange/Departmental Systems | \$208,348.13 | \$141,651.87 | \$350,000.00 | 2% |
| 60D Equipment | \$83,442.98 | - | \$83,442.98 | 1% |
| 61A Transfers Out | \$3,990,318.92 | - | \$3,990,318.92 | 26% |
| TOTAL | \$11,967,813.52 | \$3,526,232.11 | \$15,494,045.63 | 100% |

**Due to the inherent limitations of rounding up numerical values, minor modifications were applied to certain weighted percentages to ensure the aggregate total equaled to 100%.*

Table No. 6 – Summary of Sample Selections

| Object Class in eCAPS | Number of Expected Samples | Number of Samples* | Final Adjusted Number of Samples** |
|---|----------------------------|--------------------|------------------------------------|
| 20C Clothing & Personal Supplies | 2 | 2 | 2 |
| 20D Communications | 1 | 1 | 1 |
| 20J Maintenance - Equipment | 0 | 0 | 1 |
| 20K Maintenance-Buildings & Improvements | 1 | 1 | 1 |
| 20N Miscellaneous Expense | 0 | 0 | 1 |
| 20S Technical Services | 2 | 2 | 2 |
| 20U Rents & Leases - Equipment | 1 | 1 | 1 |
| 20V Contracted Program Services* | 1 | 0 | 0 |
| 20X Small Tools & Minor Equipment | 1 | 1 | 1 |
| 20Y Special Departmental Expense | 45 | 45 | 14 |
| 22A Computing-Personal | 0 | 0 | 1 |
| 22C Computing-Midrange/Departmental Systems | 2 | 2 | 2 |
| 60D Equipment | 0 | 0 | 1 |
| 61A Transfers Out** | 19 | 6 | 2 |
| TOTAL | 75 | 61 | 30 |

**No samples selected from object class 20V because there were no expenditures for the audit period. Object class 61A did not have the number of expenditure transactions required to reach a total of 19 samples.*

***Auditors adjusted the final number of samples to minimize selecting transactions from the same vendors and to ensure population representativeness.*

In selecting samples, the auditors used their professional judgment to determine which transactions should be tested individually and which items, if any, should be subject to sampling. The auditors selected the IWF expenditure transactions for each Object Class identified above that were unusual (non-recurring) or material (high dollar amount); then the rest were subject to random sample selection.

Audit Procedures

The AAB auditors obtained and examined supporting documentation for each sampled IWF expenditure to determine compliance with California Penal Code Section 4025(e) and Custody Division Manual Section 3-05/020.00⁸. This documentation included, but was not limited to, PRs, DRFs, POs, invoices, payment requests, contracts, justification memos, and approval forms. The primary focus of the review was to confirm that each expenditure primarily benefited the education, or general welfare of the inmate population. For expenditures related to facility maintenance or augmenting County expenses, auditors specifically looked for and evaluated justifications explaining the direct benefit to inmates.

The auditors also verified the SFA Unit reviewed and approved the supporting documentation for the appropriate use and availability of funds before the transaction was processed and approved in eCAPS. Additionally, the payment packet, consisting of vendor invoices and packing slips or receipts, was reviewed to ensure it was verified against eCAPS records by the SFA Unit prior to authorizing payment (three-way match). Three-way match refers to the process of verifying the vendor's invoice against the original purchase order, and the shipping/receiving documentation to ensure the quantities, prices, and items ordered matched. Auditors also confirmed the invoices were stamped paid, payment approvals were appropriate, and vendor payments were processed timely.

In addition to examining supporting documentation, the auditors also confirmed the IWF expenditures were accurately recorded in the IWF Project Control Log and the Project Expenditure Log to reserve the encumbered amount, and the project budgeted appropriation was adjusted accordingly. Furthermore, the auditors traced each sampled expenditure from the IWF control logs to the eCAPS Expenditure reports to ensure the accuracy of the recorded amount, date, program, and project coding.

Finally, the auditors conducted a follow-up on the status of the corrective actions taken by FPB in response to the findings and recommendations from the first Inmate Welfare Fund Audit (Project No. 2023-10-A), to confirm that audit recommendations have been implemented correctly and have effectively mitigated the identified risks.

⁸ Los Angeles County Sheriff's Department Custody Division Manual, Vol. 3, Sec. 3-05/020.00, Inmate Welfare Fund (December 10, 2001), <http://pars.lasd.sheriff.sdn/Viewer/Manuals/12682/Content/12875?showHistorical=True>

AUDIT OBJECTIVES

| Obj. No. | Audit Objectives |
|----------|---|
| 1 | REASONABLENESS OF IWF EXPENDITURE |
| 1(a) | <i>Nature of IWF Expenditure</i> |
| 2 | IWF EXPENDITURE DOCUMENTATION |
| 2(a) | <i>Funding Approval Process</i> |
| 2(b) | <i>Payment Approval and Processing</i> |
| 2(c) | <i>Recording and Reporting of IWF Expenditure</i> |
| 3 | FOLLOW-UP ON PRIOR AUDIT RECOMMENDATIONS |
| 3(a) | <i>Status of Prior Audit Recommendations</i> |

DETAILED FINDINGS AND RECOMMENDATIONS

Objective No. 1 – Reasonableness of IWF Expenditure

This objective included an evaluation of whether the IWF expenditures were reasonable and necessary for the related inmate program or projects, focusing on whether IWF expenditures are primarily for the benefit, education, and welfare of inmates, as stated in the California Penal Code Section 4025(e) and Custody Division Manual Section 3-05/020.00.

Objective No. 1(a) – Nature of IWF Expenditure

Criteria

California Penal Code, Section 4025 (2024), states:

(e) The money and property deposited 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. Inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system, such as meals, clothing, housing, or medical services or expenses, except that inmate welfare funds may be used to augment those required county expenses as determined by the sheriff to be in the best interests of inmates. An itemized report of these expenditures shall be submitted annually to the board of supervisors.

Custody Division Manual, 3-05/020.00 Inmate Welfare Fund, (December 2001), states:

Pursuant to Penal Code Section 4025, "Store in county jail; authorization; prices; disposition of profit; inmate welfare fund, deposits, expenditures, reports; stores not under jurisdiction of sheriff," commissions received for inmate payphone use, commissary, hobby craft sales, and vending sales shall be deposited in an Inmate Welfare Fund, to be kept in the treasury of the County. The money deposited in the Inmate Welfare Fund shall be expended by the Sheriff primarily for the benefit, education, and welfare of the inmates.

All unit commanders and concerned personnel shall adhere to the following guidelines:

- *Inmate Welfare Fund monies and supplies shall not be used to offset necessary and required expenses of confinement such as meals or housing, the facility/station unit commander shall submit a memo to the Inmate Services Unit commander, including the amount of the expenditure and a justification statement explaining why the expenditure satisfies the requirements of Penal Code Section 4025...*

Procedures

For each IWF expenditure in the sample, auditors reviewed supporting documentation, including PRs, DRFs, Pos, and/or invoices, as well as payment requests, contracts, and any attached justification memos or approval forms, to determine whether it was expended primarily for the benefit, education, and welfare of inmates, as mandated by California Penal Code Section 4025(e) and Custody Division Manual Section 3-05/020.00. Auditors also examined these documents for justification explaining how any expenditures related to facility maintenance or augmenting required County expenses directly benefited the inmate population.

Findings

Auditors reviewed supporting documentation for 30 IWF expenditure transactions and noted all 30 (100%) of 30 IWF expenditures reviewed were reasonable and necessary for the related inmate program or project (i.e., primarily for the benefit, education, and welfare of inmates).

Recommendations

There are no recommendations for the SFA Unit because it met compliance for this objective.

Objective No. 2 - IWF Expenditure Documentation

This objective included an evaluation of IWF expenditure documentation to determine if it demonstrated review for appropriate use and availability of funds before eCAPS entry. The audit also assessed whether proper eCAPS approvals were obtained, if eCAPS data aligned with source documentation and vendor invoices, the timeliness of vendor payments, and whether IWF expenditure transactions were accurately recorded in IWF logs and reported in eCAPS.

Objective No. 2(a) – Funding Approval Process

Criteria

Special Funds Accounting, Procedures for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure (October 2023), states:

To ensure the accurate monitoring and tracking of the Inmate Welfare Fund (IWF) allocated budget and expenditures in compliance with fund regulations and the county fiscal manual, Special Funds Accounting Accountants shall follow the procedure below to monitor IWF spending activities: ...

2. Expenditure Control and Monitoring:

- *Ensure that all IWF encumbrances, Requisition Numbers (RQNs), and POs obtain funding availability and usage eligibility approval from the SFA accountant before being processed and approved in eCAPS.*

Special Fund Accounting Unit, Procurement & Funding Approval Process (July 2015), states:

PROCUREMENT & APPROVAL PROCESS:

- 1) *The Unit shall submit a complete and accurate Departmental Requisition Form (DRF) with signatures to Special Funds Accounting (SFA) for funding approval.*

- ***The Budget Rep's signature MUST be on the DRF***
 - ***The signature of the Budget Rep on the DRF signifies that they, as the Responsible Party, have reviewed, verified and confirmed the accuracy of all pertinent information (i.e. unit name, unit code, object code, activity code, project code, agreement and non-agreement items, DSB and Facilities Planning approval codes, quotes, sole source justification, shipping and billing address, as well as that available funds are in the correct appropriation category i.e. S & S, Capital Assets, etc.)***
- 2) *Upon SFA Unit receiving an accurate and complete DRF from the unit, the SFA staff shall confirm the appropriate use of funds and the availability of funds and then approve the DRF for funding. The DRF will then be sent back to unit for processing.*
 - 3) *The requesting Unit shall then enter the request into eCAPS via the standard procurement and budgeting process while ensuring that all orders are placed in compliance with all purchasing policies and departmental procedures, apply Level 1 approval. The Unit shall then notify SFA staff via email, with the document number, that the document is ready for Level 2 approval. **Signed DRF and supporting documents MUST be uploaded to eCAPS.***
 - 4) *SFA unit shall then review document in eCAPS, apply Level 2 approval.*

Procedures

For each IWF expenditure transaction, auditors determined if the SFA Unit reviewed and approved the supporting documentation for the appropriate use of funds and the availability of the funds prior to it being processed and approved in eCAPS.

Findings

Of the 30 IWF expenditure transactions, AAB auditors did not review 17 for funding approval prior to it being processed and approved in eCAPS because they were not procurement encumbrances. Therefore, there were no associated requisitions or purchase orders to process or approve in eCAPS. AAB auditors found that for two (15%) of 13 applicable IWF transactions, requesting units appropriately checked with SFA for funding availability.

For the remaining 11 (85%) of 13 IWF transactions, requesting units did not obtain funding availability and usage eligibility approval from the SFA accountant before the purchase requisitions and/or purchase orders were processed and approved in eCAPS. SFA indicated that requesting units should obtain funding availability prior to submitting/processing requisitions (RQN), POs, and Delivery Orders (DO) in eCAPS, but in practice accountants were submitting them in eCAPS and then requesting for SFA to check for funding. SFA indicated that effective FY 2025-26, requesting units will obtain funding approval electronically via email prior to submitting in eCAPS. In addition, they will have Internal Services Department (ISD) notify them via email prior to processing a PO (for purchases above the Department's delegated authority).

Other Related Findings:

- The Special Funds Accounting Procurement & Funding Approval Process (July 2015) procedures do not specify when a DRF must be completed and sent to SFA for funding availability review and approval. Not all IWF-related expenditures or purchases require the completion of a DRF (e.g., ongoing contracts, accounting based encumbrances, etc.).
- Requesting units are supposed to submit a complete and accurate DRF with signatures to SFA for funding approval. The Special Funds Accounting Procurement & Funding Approval Process (July 2015) indicates, "The Budget Rep's signature must be on the DRF" and "The signature of the Budget Rep on the DRF signifies that they, as the Responsible Party, have reviewed, verified, and confirmed the accuracy of all pertinent information..." However, in practice the DRF is signed/approved by a designee other than the assigned budget representative.
- The Special Funds Accounting Procurement & Funding Approval Process (July 2015) guide states that SFA staff shall confirm the appropriate use of funds and the availability of funds and then approve the DRF for funding. However, SFA indicated their unit only confirms the availability of funds before approving DRFs for funding. SFA relies on the requesting units, Inmate Services Bureau (ISB) and FSB, to determine the appropriate use of funds, so they only confirm that the requisition or DRF was approved. Although we did not note any issues with the appropriate use of funds, SFA staff should be reminded to confirm the appropriate use of funds in addition to the availability of funds.

Recommendations

1. SFA management should remind requesting units to obtain funding availability and usage eligibility approval from SFA prior to submitting in eCAPS. SFA should also clarify/specify which procurement documents require funding availability review from SFA (e.g., DRF, RQN, PO, DO, etc.) prior to entering/processing in eCAPS.
2. SFA management should revise their written procedures to specify the situations in which a DRF needs to be completed and sent to SFA for funding availability review and approval. In addition, SFA should notify and/or train relevant staff and supervisors on any policy updates/changes to ensure duties are accurately performed.
3. SFA management should revise their written procedures to be consistent with their actual practice. For example, the procedures could indicate, "Budget Rep or designee's signature and date MUST be on the DRF" and include the required approval levels (e.g., must be at the level of Sergeant, Operations Assistant III, or higher). SFA should also ensure the changes are consistent with other procurement policies.
4. SFA management should remind staff to confirm the appropriate use of funds in addition to the availability of funds prior to approving requisitions/DRFs for funding.

Objective No. 2(b) – Payment Approval and Processing

Criteria

Fiscal Administration Bureau, Procurement Policies and Procedures Manual (January 2024), states:

4. Receiver

The Receiver verifies goods delivered or services performed against the PO. The Receiver confirms the receipt of goods, stamps, and completes the receiving document “packing slip” with the standard receiving stamp. The Receiver enters the information into eCAPS, puts the receiving number (RC#) on the packing slip and forwards the information to the Buyer to perform the three-way match. If employees are asked to receive products or services, they should request an email. The email should be uploaded with the original packing/receiving slip to eCAPS.

5. Invoice Processor

Upon receipt of a complete three-way match from the Unit, AP staff verifies the invoice contents and the receiving document(s) and enters invoice information in eCAPS. The Invoice Processor should verify the three-way match was uploaded into eCAPS. A PO register is maintained by the AP staff member. If the threeway match is incomplete, it is returned to the Buyer for correction.

Los Angeles County Fiscal Manual, 4.5.0 Payment and Disbursement Process (Revised November 2022), states:

1.5.2 General Internal Controls Over Disbursements

- *Departments must ensure that prices invoiced are correct, in accordance with unit prices agreed upon, and that no substitutions of brands or quantities occur.*
- *Discounts must always be taken (see Internal Controls Over Vendor Payment Processing, Section 4.5.5).*
- *Vendor invoices received (e.g., hard-copy, electronic copy) must be properly matched with a receiving report/shipping document before payment is processed. Receiving reports must be signed and dated as evidence of receipt of goods, and mismatches must be resolved. If the invoice is for services, a receiving report/shipping document will not be available. Service invoices must be marked in a manner that denotes the invoiced services were received. A supervisory signature must also be on the services invoice approving the transaction. Invoices should be stamped PAID to help ensure that duplicate payments are not made.*

- *Departments must ensure that unmatched receiving reports and vendor invoices are identified and properly resolved.*
- *Departments must cancel encumbrances established for goods/services that will not be ordered (i.e., if less than the encumbered amount is needed). Departments should not wait until fiscal year-end to cancel encumbrances if they know that goods/services will not be ordered.*
- *Departments must reconcile expenditure documents to eCAPS reports timely and differences must be resolved promptly.*
- *Source documents (e.g., invoices, report of goods received, etc.) must be retained by the department initiating the payment for at least five years, in accordance with Government Code 26907.*

1.5.5 Internal Controls Over Vendor Payment Processing

Following are the minimum procedures and controls departments must follow when entering payment transactions online into eCAPS:

- *Department management must ensure that employees who initiate payments for goods and services do not have procurement responsibilities.*
- *Departmental personnel who actually authorize online payments must be at the level of Accountant II or higher and subsequent approvals should be applied by personnel that hold progressively higher positions of responsibility within the department. The approval of two separate personnel is required, at least one of which has no purchasing, receiving, or accounts payable duties. An additional approval is required for large disbursements.*
- *Department management must ensure that no two people, on their own, are able to encumber funds and approve payments.*
- *Department personnel responsible for preparing and approving SWR payments should be independent from monitoring account activity where funds are drawn.*
- *The following is a summary of the eCAPS approver assignment guidelines that departments will be expected to meet:*

Data Entry: *Can be any employee without approver capabilities.*

Approver 1: *Must be an Accountant II or higher*

Approver 2: *Must be an Accountant II or higher.*

Approver 3: *Must be at least a Fiscal Officer, Head of Accounting, or equivalent.*

Approver 4: *Must be Executive Management.*

- *Departments must take a discount when available. The “Discount” date (the date the discount period expires) must be substituted in eCAPS for the “Scheduled Payment Date.”*
- *Departments may increase the original PO amount, when the final payment exceeds the original PO amount by 10% or \$500, whichever is less.*
- *Departments are responsible for reviewing the “Non-Finalized Payment Document Request” report at least weekly to ensure their payment documents are processed or cleared from the eCAPS Document Catalog.*
- *Departments must always comply with all County procurement policies. In addition, Departments must comply with specific payment audit procedures provided by the A-C’s Disbursements Division.*
- *For each encumbering document, departments must maintain files containing the requisition, Purchase Order or encumbrance request, the vendor invoice and the eCAPS payment transaction. The invoice must be approved by personnel who have direct knowledge that goods and services were received such as the receiving clerk.*

4.5.13 Vendor Payment Time Frame Requirements

The Board of Supervisors has an established policy that all vendor payments will be issued within 30 calendar days of receipt of the vendor’s invoice. Successful implementation of the 30 day payment policy requires the understanding and full cooperation of all departments. If vendors offer discounts for earlier payment, departments must ensure the discounts are taken. Any problems or questions regarding this payment policy should be directed to the A-C’s Disbursements Division.

Procedures

For each IWF expenditure transaction in the sample, AAB auditors reviewed the payment packet, which included the vendor invoices and packing slips/receipts documents, to determine whether the SFA Unit reviewed and verified the contents matched the information in eCAPS prior to authorizing payment (i.e., three-way match). In addition, auditors confirmed receiving reports were signed and dated, mismatches were resolved, supervisory signature was on service invoices, and invoices were stamped "paid." Auditors also confirmed that Department personnel who authorized online payments were at the level of Accountant II or higher and subsequent approvals were applied by personnel that hold progressively higher positions of responsibility within the Department. Lastly, auditors determined whether vendor payments were issued within 30 calendar days of receipt of the vendor's invoice; and if vendors offered discounts for earlier payment, the discounts were taken.

Findings

The AAB auditors reviewed the payment packets for 30 IWF expenditure transactions and confirmed all 30 (100%), Departmental personnel who authorized online payments were at the level of Accountant II or higher and subsequent approvals were applied by personnel that held progressively higher positions of responsibility within the Department. All payments were also issued within 30 calendar days of receipt of the vendor's invoice.

However, payment packets for five (17%) of 30 expenditure transactions had missing or incomplete supporting documentation. For example, SFA made a payment without all supporting invoices and the "paid" stamp was missing on one of the invoices. SFA indicated that they always prepay cable and internet for the entire FY to avoid issues in the jails and that the additional \$41.78 (unsupported amount) was credited. However, this explanation was not included in the payment documentation, and the payment should not have been made without a valid invoice. In two other instances, the complete Sales and Commission reports, used to calculate the payment to the vendor, were not included in the final payment packet. Lastly, auditors noted one packing slip that indicated they only received a portion of the order and were short a few pieces. There were no other notes or emails included in the packet showing the discrepancy was questioned or resolved prior to the payment. The auditors followed up with SFA, and they indicated the discrepancy was resolved prior to the payment.

Other Related Findings:

- SFA's written procedures currently do not include the payment process for IWF-related expenditures. For example, the Financial Programs Bureau Special Funds Accounting Unit Procedure for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure (October 2023) procedures only indicated SFA accountants should review all vendor invoices carefully to ensure they have proper payment authorization and proper three-way match documentation before entering/approving the payment request in eCAPS. However, the procedures do not describe the payment process for the different types of IWF expenditures, the type of documentation they need to review, prepare, and maintain, and the level of approvals required. The procedures also do not indicate the departments/bureaus/units involved in the payment process – which differs depending on the type of expenditure (i.e., FSB jail maintenance expenditures vs. ISB program expenditures), dollar amounts, and encumbrance type (e.g., PO, DO, CNTR).

Recommendations

1. SFA management should establish a process to ensure payment approvers verified the contents match the information in eCAPS prior to authorizing payment, and that the final IWF payment packet includes all required and necessary documents to support the payment. For example, a checklist could be utilized to document the review, and the reviewer could sign the checklist to attest to the completeness of the payment packet. The process should be documented in their written procedures.
2. SFA management should establish detailed written procedures to guide staff in the performance of their IWF payment approval and processing duties. The procedures should include staff duties, the type of documentation they need to review, prepare, and maintain, the level of approvals required, the departments/bureaus/units involved in the payment process and their roles, etc.

Objective No. 2(c) - Recording and Reporting of IWF Expenditures

Criteria

Special Funds Accounting, Procedures for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure (October 2023), states:

To ensure the accurate monitoring and tracking of the Inmate Welfare Fund (IWF) allocated budget and expenditures in compliance with fund regulations and the county fiscal manual, Special Funds Accounting Accountants shall follow the procedure below to monitor IWF spending activities:...

2. Expenditure Control and Monitoring:

- *After approval of above document, record the transaction promptly in the IWF Project Control Log to reserve the encumbered amount and adjust the available project budgeted appropriation by reducing the encumbered amount.*
- *Record all expenditure transactions, including PO number, vendor name, invoice date, invoice number, payment date, project number, payment description, and amount, in the project expenditure log immediately after entering the transaction in eCAPS.*
- *Conduct monthly reconciliations of the project control log and the project expenditure log with the eCAPS Encumbrance Detail Report, Expenditures Detail Report, and the Trail Balance Report to ensure consistency. Promptly report and resolve any discrepancies.*

Procedures

The AAB auditors confirmed each IWF expenditure in the sample was recorded in the IWF control logs to reserve the encumbered amount, and the project budgeted appropriation was adjusted by reducing the encumbered amount. Auditors also reviewed expenditure supporting documentation (i.e., payment packets) to confirm the PO number, vendor name, invoice date, invoice number, payment date, project number, payment description, and amount were accurately recorded in the IWF control logs. Lastly, auditors traced the expenditures from the IWF control logs to the eCAPS Expenditure Detail Reports to ensure completeness and consistency.

Findings

The AAB auditors reviewed expenditure supporting documentation (i.e., payment packets) and confirmed 30 (100%) of 30 expenditures were recorded in the IWF control logs to reserve the encumbered amount, and the project budgeted appropriation was adjusted by reducing the encumbered amount. Auditors also traced 30 (100%) of 30 expenditures to the eCAPS Expenditure Detail Reports to ensure completeness and consistency.

Auditors noted discrepancies with 16 (53%) of 30 transactions recorded in the various IWF control logs. Specifically, for 13 samples the logs had missing or inaccurate dates (e.g., incorrect payment date, invoice received date). For three samples, the vendor names on the log were listed incorrectly. It appears staff entered the name of the vendors based on the original requisition but did not update the name when a different vendor was awarded the final purchase order. Auditors also noted that in one expenditure log, the entries were mistakenly shifted up a row resulting in the incorrect invoice amounts for five samples.

Other Related Findings:

- According to the Financial Program Bureau Special Funds Accounting Unit Procedure for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure (October 2023) procedures, after the approval of all IWF encumbrances, RQNs, and POs in eCAPS, SFA accountants are supposed to record the transaction promptly in the IWF Project Control Log to reserve the encumbered amount and adjust the available project budgeted appropriation by reducing the encumbered amount. In addition, they are supposed to record all expenditure transactions, including PO number, vendor name, invoice date, invoice number, payment date, project number, payment description, and amount, in the Project Expenditure Log (also known as the IWF Encumbrance Register) immediately after entering the transaction in eCAPS. AAB auditors noted that in practice, project and expenditure information are recorded across various logs with different log names: IWF Project Control Log (Project Registers), Project Expenditure Log (Encumbrance Register), and Inmate Welfare Fund Expenditure Details Expenditure by Project. To avoid confusion, SFA should use consistent titles for the logs and update their procedures to match.

Recommendations

1. SFA management should monitor to ensure expenditure information (i.e., PO number, vendor name, invoice date, invoice number, payment date, project number, payment description, and amount) is accurately recorded in the IWF control logs. For example, someone outside of the process (i.e., not responsible for making entries in the logs) could review a sample of transactions monthly to determine if expenditure information is accurately recorded in the various IWF control logs.
2. SFA management should revise their written procedures to ensure consistency by clearly indicating the name of each IWF control log, the purpose, and the key information that should be recorded in each log.

Objective No. 3 – Follow-Up on Prior Audit Recommendations

The AAB auditors conducted a follow-up of audit recommendations from the previous IWF Audit, Project No. 2023-10-A to verify if the auditee made necessary improvements and to ensure any issues identified during the audit process were effectively addressed.

Objective No. 3(a) – Status of Prior Audit Recommendations

Procedures

The AAB auditors requested from process owners the status of the prior audit recommendations and details regarding the corrective actions taken to address the deficiencies noted in the previous IWF Audit, Project No. 2023-10-A. Auditors examined new procedures, examples, and relevant documentation to confirm/determine the status of the prior audit recommendations. Auditors categorized the status of each recommendation into four classifications: Implemented, In Progress, Not Implemented, and Not Applicable.

| Status | Definition |
|-----------------|--|
| Implemented | Corrective action has been taken to address the recommendation. Management has provided proof of recommendation implementation. |
| In Progress | Management has begun taking action to address noted audit deficiencies; however, it has not been deemed complete and/or does not fully address the recommendation. |
| Not Implemented | No corrective action has been taken by management or actions taken/report by management does not address the recommendation. |
| Not Applicable | Recommendation is no longer applicable for various reasons such as the policy, procedure, or process has changed, the original issue is obsolete, etc. |

Results

Of the 12 recommendations issued in our prior audit, one is no longer applicable. Of the 11 applicable recommendations, we noted two (18%) were implemented, five (46%) were in progress, and four (36%) had not been implemented. The recommendations, status, and corrective actions taken (if applicable) are detailed on the next page.

Summary of Total Prior Audit Recommendations

| Project No. | No. of Recommendation | Implemented | In-Progress | Not Implemented | Not Applicable | Completion % |
|-------------|-----------------------|-------------|-------------|-----------------|----------------|--------------|
| 2023-10-A | 12 | 2 | 5 | 4 | 1 | 18% |

Detailed Results

| Audit Recommendation Follow-Up Project 2023-10-A | |
|---|-----------------|
| A. Evaluation of IWF Policies and Procedures Findings | |
| Recommendation No. 1 | Status |
| <p>The FSB should periodically review and update the Purchase Requisition Instruction Manual policy to ensure the roles and responsibilities of FSB staff and supervisor are clearly defined and consistent with the Department’s procurement and purchasing policies.</p> <p>FOLLOW-UP RESULTS: FSB indicated that they no longer receive funds from the IWF as of FY 2024-25. Jail maintenance is now funded through Assembly Bill (AB) 109⁹; therefore, the recommendation is no longer applicable. However, the recommendation was for FSB to periodically review and update the existing Purchase Requisition Instruction Manual (February 2023), specifically the IWF Purchase Requisition and Purchase Order Process section (on page five), to ensure the roles and responsibilities of FSB staff and supervisor are clearly defined and consistent with the Department’s procurement and purchasing policies. FSB should continue to periodically review and update the Purchase Requisition Instruction Manual to ensure consistency with the required number of approval signatures, in the event that FSB does utilize the IWF in the future. In addition, FSB should notify/train staff and supervisors on any policy updates/changes to ensure duties are accurately performed.</p> | Not Implemented |
| Recommendation No. 2 | Status |
| <p>The FSB should periodically review the Purchasing Requisition Instruction Manual and the Unit Order 2023-01 Compliance with Inmate Welfare Fund Guidelines to ensure that they are updated and consistent with one another.</p> <p>FOLLOW-UP RESULTS: FSB indicated that they no longer receive funds from the IWF as of FY 2024-25. Jail maintenance is now funded through AB 109. In addition, Unit Order 2023-01 Compliance with Inmate Welfare Fund Guidelines was rescinded in October 2025. Therefore, this recommendation is no longer applicable.</p> | Not Applicable |

⁹ AB 109 also known as 2011 Public Safety Realignment allows a city or county to be reimbursed by the Department of Corrections and Rehabilitation for costs incurred resulting from the detention of a state prisoner or a person sentenced or referred to the state prison when the detention meets certain conditions.
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201120120AB109

| Recommendation No. 3 | Status |
|--|------------------------|
| <p>The ISB should periodically review the ISB Procurement Process policy and establish a more comprehensive IWF policy to adequately guide staff and supervisors of all the key IWF processes and controls relating to ISB procurement and purchasing.</p> <p>FOLLOW-UP RESULTS: ISB implemented a yearly review of the ISB Procurement Process Quick Guide, Inmate Welfare Fund Procurement Process Quick Guide, and Inmate Services Bureau/Business Management Unit Handbook for Accountant III policies and procedures to identify points for improvement. Their first meeting was held in October 2025. ISB also revised their ISB Procurement Process Quick Guide and Inmate Welfare Fund Procurement Process Quick Guide in November 2025 to adequately guide staff and supervisors of all the key IWF processes and controls relating to ISB procurement and purchasing.</p> | <p>Implemented</p> |
| Recommendation No. 4 | Status |
| <p>The ISB should periodically review and update the existing Business Management Unit Handbook for Accountant III policy to ensure that all procurement roles and responsibilities are identified.</p> <p>FOLLOW-UP RESULTS: ISB implemented a yearly review of the ISB Procurement Process Quick Guide, Inmate Welfare Fund Procurement Process Quick Guide, and Inmate Services Bureau/Business Management Unit Handbook for Accountant III policies and procedures to identify points for improvement. Their first meeting was held in October 2025. AAB auditors also confirmed the IWF policy (Business Management Unit Handbook for Accountant III) was updated in August 2025 with other procurement roles such as the Requestor, Buyer, Receiver and Invoice Processor.</p> | <p>Implemented</p> |
| Recommendation No. 5 | Status |
| <p>The SFA should periodically review and update the Special Funds Accounting Procurement & Funding Approval Process policy to ensure that all IWF procurement and purchasing workflows are identified, specifically relating to SFA's procurement and/or approval role when PRs are submitted in MAXIMO.</p> <p>FOLLOW-UP RESULTS: Although FSB is no longer receiving IWF funding as of FY 2024-25, SFA should still periodically review and update the Special Funds Accounting Procurement & Funding Approval Process procedures relating to SFA's procurement and approval role when PRs are submitted in MAXIMO, in the event that FSB does utilize the IWF in the future. The written procedures should describe the PR submission process, the funding approval process, and SFA's role.</p> | <p>Not Implemented</p> |

| Recommendation No. 6 | Status |
|---|--------------------|
| <p>The SFA should periodically review and update the Procedure for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure policy to ensure that the workflow is clearly defined and that there is proper segregation of duties, specifying who (position/title) is responsible for each step. In addition, the policy should be revised to clearly define what "prompt" payments and "immediately" recording of transactions means, to properly establish an audit trail. The policy could also add a standardized template/form to be used as a cover sheet on all IWF expenditures to ensure consistent documentation of the data entry, approval, and payment recording, as well as adding the use of an "ENTERED" stamp to document the date when it was recorded and by who (name/initials).</p> <p>FOLLOW-UP RESULTS: AAB auditors confirmed the Procedure for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure was updated as of August 28, 2025 specifying who is responsible for each step (e.g., verifying the availability of funds, approving usage eligibility of the funds, etc.). However, the policy does not state when key tasks such as the recording of transactions in the IWF Project Control logs, the monthly reconciliations of the project control log, project expenditure log, with eCAPS reports, etc. should occur (e.g., within two days of receipt, within two weeks following the end of the month, etc.). SFA should also consider including in the written procedures instructions for the use of an "ENTERED" stamp on the requisition and invoice to document the dates when the transactions were entered/recorded in the IWF Project Control and Project Expenditure logs and by whom (name/initials). The same information (name, entered date) should be recorded in the IWF Project Control log and Project Expenditure log to establish an audit trail and to enable management's review for timeliness of log entries.</p> | <p>In Progress</p> |
| Recommendation No. 7 | Status |
| <p>The SFA should periodically review and update the Procedure for Tracking the Inmate Welfare Fund Revenues policy to ensure that the workflow is clearly defined and that there is proper segregation of duties, specifying who (position/title) is responsible for each step. The policy should also be updated to define all the types of IWF revenue being received on a regular basis as well as the schedule of which they are to be received. Lastly, the policy should clearly define what "promptly" logging of revenue transactions means, to properly establish an audit trail.</p> <p>FOLLOW-UP RESULTS: SFA revised its Procedure for Tracking the Inmate Welfare Fund Revenues policy on August 28, 2025 to ensure that the workflow is clearly defined, specifying the position/title responsible for each key step. However, the policy does not ensure there is a proper segregation of duties. The policy should indicate a segregation of duties to ensure the same individual (Accountant II) should not be responsible for all key tasks (i.e., collecting and recording, depositing, and reconciling). At the minimum, a different person should ensure the revenues received are deposited into the IWF trust account. In addition, the policy still does not define all types of IWF revenue being received on a regular basis (i.e., Commissary Web-Sales Profit) or the schedule in which it is to be received (monthly). Lastly, SFA removed the word "promptly" from the revised policy instead of defining when the IWF Revenue Ledger should be updated. SFA should indicate when revenue transactions should be logged (e.g., within the same business day as the receipt or no later than the close of the next business day following receipt) when revenue is received.</p> | <p>In Progress</p> |

| Recommendation No. 8 | Status |
|--|------------------------|
| <p>The SFA should develop an Internal Control Monitoring Guide to ensure that IWF policies and procedures are being adhered to. Although AAB was tasked to conduct a “mini-audit” to satisfy the A-C’s recommendation regarding Management Monitoring of Internal Controls, conducting regular “self-monitoring” is the responsibility of the process owner. AAB could assist the process owner in developing a self-monitoring guide/tool, if needed.</p> <p>FOLLOW-UP RESULTS: SFA has not developed an Internal Control Monitoring Guide to ensure that IWF policies and procedures are being adhered to. Although AAB was tasked to conduct a “mini-audit” in 2023 to satisfy the A-C’s recommendation regarding Management Monitoring of Internal Controls, conducting regular “self-monitoring” is the responsibility of the process owner. FPB indicated they are presently developing the survey tool to perform the annual self-monitoring task and expect to implement it soon.</p> | <p>Not Implemented</p> |

| B. Evaluation of IWF Processes and Controls | |
|---|--------------------|
| Recommendation No. 1 | Status |
| <p>The SFA management must ensure staff maintain complete and consistent procurement documentation for audit trail and retention purposes.</p> <p>FOLLOW-UP RESULTS: SFA indicated in their response that three-way match is followed by SFA, and all documents (i.e., PO, RC and Invoice) are attached together after the final invoice is paid. We reviewed a sample of IWF payment packets (for jail maintenance expenditures) and determined most had appropriate documentation, however, one packet had some missing procurement/payment documents (e.g., emails explaining shipping discrepancy). SFA management should establish a process to ensure staff maintain complete and consistent procurement documentation for audit trail and retention purposes. For example, SFA could work with stakeholders to develop a checklist listing the various required procurement and payment documents (e.g., DRF, PR, RQN, DO, PO, packing slip, RC document, invoice, solicitation bid documentation, sole source, justification and/or confirming letters if applicable, etc.) to be attached to the final payment packet. Requesting units should ensure the appropriate documents are provided to SFA and they should continually provide SFA with the most up-to-date documents to be included in the final packet. SFA could use the checklist to confirm that final payment packets are complete. The process including the responsible parties and staff duties should be documented in written procedures.</p> | <p>In Progress</p> |

| Recommendation 2 | Status |
|---|------------------------|
| <p>The FSB management must ensure that staff select the correct funding source for PRs submitted in MAXIMO to ensure compliance with fund guidelines and required approvals are obtained.</p> <p>FOLLOW-UP RESULTS: FSB indicated that IWF no longer funds FSB as of FY 2024-25. Jail maintenance is now funded through AB 109; therefore, the recommendation is no longer applicable. However, in the event that FSB does utilize the IWF again in the future and because FSB still has the option to select the "IWF" funding source for PRs submitted in MAXIMO, FSB management needs to ensure the correct funding source is selected and required approvals are obtained (i.e., "IWF Fund Acknowledged By" field). Someone outside of the PR process could review a sample of transactions periodically to determine if the process is being followed and the required approvals are applied.</p> | <p>Not Implemented</p> |
| Recommendation 3 | Status |
| <p>The SFA management must revisit the policy regarding IWF funding approval to verify if the policy is still consistent with their "current practice" and to train process owners of any changes/updates to be made.</p> <p>FOLLOW-UP RESULTS: SFA indicated that requesting units now send the funding availability request prior to entering documents (e.g., requisitions, purchase order) in eCAPS and approving level I. AAB auditors reviewed a pre-approval request submitted by the unit and approved by SFA. SFA indicated that this electronic funding availability request is required effective FY 25-26. However, SFA management did not demonstrate that they revisited the policy, Special Fund Accounting Unit, Procurement & Funding Approval Process (July 2015), regarding IWF funding approval to verify if the policy is still consistent with their "current practice" and to train process owners of any changes/updates to be made.</p> | <p>In Progress</p> |
| Recommendation 4 | Status |
| <p>The SFA management must revisit the policy regarding proper invoice payment authorization and to train process owners of any changes/updates to be made. It is also recommended that SFA update their policy to include "best practice" guidance for approvers and signers of documents. The best practices for documentation of approvals are to record the name, date, signature/initials. Such guidance will help achieve a clearly defined workflow.</p> <p>FOLLOW-UP RESULTS: SFA revised the Fiscal Administration Bureau, Procurement Policies and Procedures Manual in January 2024. AAB auditors reviewed a sample of IWF payment transactions and noted all payments were appropriately authorized after the receipt of goods and all payment authorizers documented their signature and/or initials, employee ID #, and date. SFA payment approvers generally place a stamp with their name, date, level of approval, and sign/initial on the hardcopy invoice. SFA did not, however, update their policy to include "best practice" guidance for approvers and signers of documents. At the minimum, SFA should notify invoice payment authorizers and approvers to record their name, date, signature/initials on payment documents.</p> | <p>In Progress</p> |

CONCLUSION

The AAB considers the results of this audit to be a valuable management tool for SFA and the process owners to improve existing IWF policies and procedures and to strengthen the related processes and controls. It is also imperative that SFA management develop a self-monitoring guide to meet the AC's recommendations and to ensure that internal controls are more effective and the operational frameworks of all process owners are aligned.

SUMMARY OF RECOMMENDATIONS

The purpose of this section is to provide a concise reference for all recommendations aimed at improving the existing policies and procedures and strengthening the processes and controls relating to IWF. The recommendations listed below are the same as those detailed in the above report.

Objective No. 1 – Reasonableness of IWF Expenditure

A. Objective No. 1(a) - Nature of IWF Expenditure

1. No recommendations.

Objective No. 2 – IWF Expenditure Documentation

A. Objective No. 2(a) - Funding Approval Process

1. SFA management should remind requesting units to obtain funding availability and usage eligibility approval from SFA prior to submitting in eCAPS. SFA should also clarify/specify which procurement documents require funding availability review from SFA (e.g., DRF, RQN, PO, DO, etc.) prior to entering/processing in eCAPS.
2. SFA management should revise their written procedures to specify the situations in which a DRF needs to be completed and sent to SFA for funding availability review and approval. In addition, SFA should notify and/or train relevant staff and supervisors on any policy updates/changes to ensure duties are accurately performed.
3. SFA management should revise their written procedures to be consistent with their actual practice. For example, the procedures could indicate, "Budget Rep or designee's signature and date MUST be on the DRF" and include the required approval levels (e.g., must be at the level of Sergeant, Operations Assistant III, or higher). SFA should also ensure the changes are consistent with other procurement policies.
4. SFA management should remind staff to confirm the appropriate use of funds in addition to the availability of funds prior to approving requisitions/DRFs for funding.

B. Objective No. 2(b) - Payment Approval and Processing

1. SFA management should establish a process to ensure payment approvers verified the contents match the information in eCAPS prior to authorizing payment, and that the final IWF payment packet includes all required and necessary documents to support the payment. For example, a checklist could be utilized to document the review, and the reviewer could sign the checklist to attest to the completeness of the payment packet. The process should be documented in their written procedures.
2. SFA management should establish detailed written procedures to guide staff in the performance of their IWF payment approval and processing duties. The procedures should include staff duties, the type of documentation they need to review, prepare, and maintain, the level of approvals required, the departments/bureaus/units involved in the payment process and their roles, etc.

C. Objective No. 2(c) - Recording and Reporting on IWF Expenditures

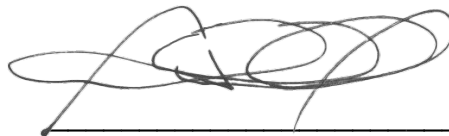
1. SFA management should monitor to ensure expenditure information (i.e., PO number, vendor name, invoice date, invoice number, payment date, project number, payment description, and amount) is accurately recorded in the IWF control logs. For example, someone outside of the process (i.e., not responsible for making entries in the logs) could review a sample of transactions monthly to determine if expenditure information is accurately recorded in the various IWF control logs.
2. SFA management should revise their written procedures to ensure consistency by clearly indicating the name of each IWF control log, the purpose, and the key information that should be recorded in each log.

REFERENCES

- California Penal Code, Section 4025 (2024)
- Custody Division Manual, 3-05/020.00 Inmate Welfare Fund, (December 2001)
- Special Funds Accounting, Procedures for Tracking the Inmate Welfare Fund Allocated Budget and Expenditure (October 2023)
- Special Fund Accounting Unit, Procurement & Funding Approval Process (July 2015)
- Fiscal Administration Bureau, Procurement Policies and Procedures Manual (January 2024)
- Los Angeles County Fiscal Manual, 4.5.0 Payment and Disbursement Process (Revised November 2022)

Views of Responsible Officials

On November 11, 2025, SFA submitted a response to the AAB concurring with the audit results. On November 18, 2025 ISB responded to the Project No. 2023-10-A follow-up audit results. FSB did not submit a response to the AAB regarding the follow-up audit results. The AAB presented the final audit report to the Division Director, Office of Constitutional Policing.



12/15/2025

GEOFFREY N. CHADWICK DATE

Captain

Audit and Accountability Bureau

Los Angeles County Sheriff's Department