



Office of the County Auditor

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Cook County Auditor

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September 22, 2015

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We conducted an audit of the Department of Corrections (DOC) Inmate Welfare Fund in accordance with the Cook County Auditor Ordinance.

The scope and objectives of our audit were designed to assess the internal control structure to determine if it was designed effectively and operating as intended to ensure that the Inmate Welfare funds are expended in accordance with the Policies and Procedures for the Administration of the Inmate Welfare Fund and that the funds were properly accounted for and adequately safeguarded.

Please refer to the following audit report for the results of our audit. Our audit identified one finding that was presented to Management. The [Executive Summary](#) of our report provides an overview of the audit and the conclusion(s) reached.

We express our appreciation for the assistance of the Department's staff extended to Mr. Damon Howell during the course of our examination.

Respectfully Submitted,

Shelly A. Banks, C.P.A.
Cook County Auditor



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Inmate Welfare Fund

Internal Audit Report

Report Date: September 2015

Issued By:

Shelly A. Banks, County Auditor

Audit Conducted By:

William Carroll, Audit Supervisor
Damon Howell, Field Auditor V

EXECUTIVE SUMMARY

We have completed an audit of the DOC's Inmate Welfare Fund. Our procedures included verifying receipts from the commissary sales commissions and incentive programs, reviewing purchases/disbursements made with Inmate Welfare funds and identifying, locating and physically observing assets purchased with Inmate Welfare funds to verify their existence.

The scope and objectives of our audit were designed to assess the internal control structure to determine if it was designed effectively and operating as intended to ensure that the Inmate Welfare funds were expended in accordance with the established Policies and Procedures for the Administration of the Inmate Welfare Fund and that the funds were properly accounted for and adequately safeguarded.

We determined that the internal control structure of the Inmate Welfare Fund is designed effectively and operating as intended. Therefore, we concluded that the Inmate Welfare Funds are being administered in accordance with the established policies and procedures, are properly accounted for, and adequately safeguarded.

During our review of the various processes, we identified and presented to management one finding and recommendation designed to strengthen the internal controls over the assets purchased with Inmate Welfare Funds that are held in inventory at the warehouse at 23rd and Rockwell.

Please refer to the [Findings](#) section for more detail on the finding, recommendation and management's response.

BACKGROUND

The Cook County Department of Corrections (DOC) and the Sheriff's Department of Fiscal Administration and Support Services collaborated to help establish the Inmate Welfare Fund. The Welfare Fund was created as a way to directly benefit the welfare or education of the individual and general inmate population and to enhance inmate activities and programs. The funds are to be used at the discretion of the Executive Director of the DOC, subject to the approval of the Sheriff's Chief Financial Officer/Budget Director for the direct benefit of persons who are inmates in the Cook County Department of Corrections and shall not be used for any purposes which are covered by county, state or federal appropriation.

The Sheriff's Inmate Welfare Fund Committee serves as an advisory board that provides oversight of the Inmate Welfare Fund administration and disbursement of its monies. The Committee is comprised of five members, serving without compensation. The Undersheriff serves as Committee chairman. The Chief Financial Officer or Executive Director of the DOC or their designees may also serve as committee members. The remaining two members are appointed by the Undersheriff.

The Committee meets on an "as needed" basis to approve any expenditures of \$10,000 or more and to review all Fund activity. The Committee also examines the policies and procedures for allocation and disbursements of fund revenues; determines the exact benefits inmates receive from fund revenues; analyzes expenditure patterns for funds; and compares fund expenditures with those of comparable correctional institutions.

Revenue for the Inmate Welfare Fund is self-generated, non-taxpayer funds including: commissions from the inmate commissary operation, interest income from Inmate Welfare and Inmate Trust fund accounts,

abandoned inmate funds, specific contributions to the Fund, and sales produced in vocational and/or occupation therapy.

Expenditures must be for the direct benefit or welfare of education of the DOC inmates. Examples of allowable fund purchases include: library services, recreation, audio-visual, life skills services, religious and inspirational program, public visiting, re-entry programs, community volunteer programs, wages for inmate workers, and assistance for indigent inmates.

AUDIT SCOPE AND OBJECTIVES

Our objectives for the Inmate Welfare Fund Audit were designed to assess the internal control structure to determine if it was designed effectively and operating as intended to ensure that the Inmate Welfare funds are being administered in accordance with established policies and procedures. The objectives were also designed to determine if the funds are properly accounted for and adequately safeguarded.

Our objectives included determining if:

- Established policies and procedures for administrating the Inmate Welfare Fund are adhered to.
- Expenditures from the Inmate Welfare Funds are made in accordance with the established fund guidelines.
- Commissions from commissary sales were received and deposited in a timely manner.
- Incentive payments received were recorded properly and remitted on a timely basis to the Comptroller.
- A list of assets purchased with Inmate Welfare Funds is accurately and timely maintained with the assets current locations.
- The assets purchased with Inmate Welfare Funds exist.

AUDIT RESULTS

In order to reach a conclusion on our objectives we performed the following procedures regarding the Inmate Welfare Fund at the DOC:

- Obtained and reviewed the current Policies and Procedures for the Administration of the Inmate Welfare Fund.
- Tested a sample of expenditures from the Inmate Welfare Fund to verify compliance with the established policies and procedures.
- Reviewed a sample of receipts from the commissary sales commissions to determine that funds were received and deposited in a timely manner.
- Reviewed a sample of receipts from the vendor incentive program to verify that they were recorded properly and remitted on a timely basis to the Comptroller.
- Obtained and reviewed the databases of assets purchased with Inmate Welfare Funds. Traced a sample of assets purchased with Inmate Welfare Funds to the databases to verify the completeness and accuracy of the databases.
- Selected a sample of assets from the databases to physically observe at the DOC to verify the assets existence.

Based on the results of our audit procedures, we determined that the Inmate Welfare Funds are being administered in accordance with the established policies and procedures, are properly accounted for, and adequately safeguarded. The finding below recommends internal control improvements with the inventory process.

FINDING

Finding #1:

During our review of the processes over the safeguarding of assets purchased with Inmate Welfare Funds, an internal control weakness was identified over the accountability of the inventory held at the warehouse at 23rd and Rockwell, specifically the televisions and microwaves. The DOC staff maintains and tracks the televisions and microwaves once they are delivered from the warehouse to the DOC locations, but they do not maintain inventory records to account for the televisions and microwaves held on hand at the warehouse.

Additionally, a reorder point has not been established to ensure that at any point in time there is an adequate inventory level on hand at the warehouse.

Without an inventory record in the warehouse, items are susceptible to theft, loss, the potential of excessive ordering and the risk of items not being available when needed.

Recommendation

We recommend that the DOC staff responsible for managing the purchases made with Inmate Welfare Funds implement the following controls over inventory:

- Develop an inventory system to account for the televisions, microwaves and any other inventory items held at the warehouse.
- Perform a physical count of what is currently on hand at the warehouse to obtain a beginning inventory.
- Maintain the inventory by updating when items are purchased or shipped to continually track the inventory on hand at the warehouse.
- Perform periodic observations and counts at the warehouse to verify that the physical inventory on hand agrees with the reported inventory balance.
- Establish a reorder point to ensure an adequate inventory level is on hand at the warehouse.
- Monitor the inventory to ensure that when the inventory balance at the warehouse falls below the reorder point an order is placed.
- Develop written procedures to document the inventory controls and assign the appropriate duties and responsibilities.

Management Response

Response to Bullet#1

- The Warehouse developed a full inventory system, which will account for the televisions, microwaves and any other items at the warehouse.

Response to Bullet#2

- On August 18, 2015, the Warehouse performed a physical count of what is currently on hand at the warehouse to obtain a beginning inventory.

Response to Bullet #3

- The Warehouse updates inventory when items are purchased or shipped to continually track the inventory on hand at the warehouse. Upon receipt of new IWF items, the Warehouse will provide the DOC IWF Office with the following: item information (i.e. Make, Model #), quantity received and all serial numbers. The IWF Office staff will enter the provided information into their spreadsheet and, prior to distribution, will input the assigned location next to the coordinating serial number. This process will ensure IWF Office staff is aware once the reorder point has been reached.

Response to Bullet #4

- The Warehouse performs monthly observations and counts to verify that the physical inventory on hand agrees with the reported inventory balance.

Response to Bullet #5

- The DOC IWF Office established reorder quantities as follows: TV's = 50; Microwaves = 25

Response to Bullet #6

- The Warehouse currently monitors inventory to ensure that when the inventory balance at the warehouse falls below the reorder point an order is placed. Once the reorder point is reached, the DOC IWF Office will complete an Inmate Welfare Request Order Form and submit for approval.

Response to Bullet#7

- The Warehouse has written procedures to document the inventory controls and assign the appropriate duties and responsibilities.

Estimated Completion Date

September 30, 2015