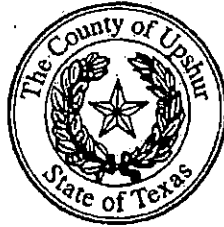


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February 7, 2017

Audit Report on Upshur County Sheriff's Inmate Commissary Accounts

SUMMARY

In accordance with Texas Local Government Code Sec. 351.0415, I have examined the Upshur County Sheriff's Office commissary operations for the fiscal years 2015 and 2016. Specifically, I reviewed the general commissary process, internal controls, compliance with law and established policy, as well as deposits to and disbursements from the commissary accounts. I also attempted to reconcile funds on hand with the total of resident balances.

BACKGROUND

Texas Local Government Code Sec. 351.0415 requires the auditor to verify the accuracy of the jail commissary accounts and report the findings to the Commissioner's Court. The auditor is also required to provide a copy of the audit no later than the 10th day after completing the audit to the Commission on Jail Standards per Texas Government Code, Section 511.

The Sheriff's Office has exclusive control of the commissary funds and maintains two separate commissary accounts. The Inmate Trust account holds money belonging to inmates, and is used to pay for commissary products ordered by the inmates. The Inmate Welfare account consists of proceeds from commissary operations and is used to supply inmates with items such as clothing, writing materials, and hygiene supplies, as well as provide for their general well-being, health, safety, and security.


OBJECTIVES

To describe the general operations of the commissary process.

To review transactional detail, ensure all deposits made to inmate accounts reconcile with bank deposits, and compare total funds on hand with total resident balances

Commissary Audit

FY15 & FY16

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UPSHUR COUNTY, TX.

To confirm compliance with Local Government Code 351.0415

To determine whether internal controls are sufficient to guard against loss, damage, or misappropriation

SCOPE

October 1, 2014 – September 30, 2016

OBSERVATIONS

General Operations of the Commissary Program

Rules for the jail commissary operation are published in the “Rules and Regulation Handbook”, also referred to as the Inmate handbook that is issued to inmates as they are housed.

Upon booking, cash found in the possession of an inmate is counted in the presence of two employees, then posted to that inmate’s account in the Swanson software. At booking is the only time cash is accepted as a payment type. All subsequent deposits are made only by money order or cashier’s check. As money orders are received, either at the window, or through the mail, they are entered in the Swanson software on the inmate’s account, then placed in individual envelopes with the receipt, and dropped in the lock box. As bank deposits are prepared, individual receipts are recounted against the corresponding payment. The money orders and cash are then separated from the receipts and totaled, then a deposit record is created in the system. A deposit ticket is prepared and a deposit is made to the Inmate Trust Account.

Upshur County does not keep an in-house commissary inventory. Jailers prepare order forms with inmates’ balances and pass them out twice a week. The order forms are picked up and are entered in the system by our sales rep. Disbursements are made once a month based on weekly Swanson invoices.

The cost of certain items may be passed on to the inmate. Medical and dental costs incurred by inmates are charged against those inmates by placing a receivable on their accounts. If an inmate does not have money in their account at that time, but receives money later, a percentage of their debt is taken from that money until their debt is satisfied.

During this audit we noticed many instances where inmates were being charged \$0.97 for an indigent pack. However, we were unable to confirm that we were actually being charged by the commissary vendor for the indigent packs. Jail management told us that we used to provide these to the inmates free of charge but inmates were taking advantage of this benefit and getting many more packs than needed. They started charging the inmates to try to recover some of the costs of providing these items. We recommended to jail management staff that we were doubtful of the legality of this practice of charging the inmates, especially since we appeared to be

profiting off of them, and they ceased that practice immediately. They advised us that future indigent packs will be paid for out of the inmate welfare fund.

Unspent funds are refunded to the inmate by a check drawn on the Inmate Trust account upon release. Two signatures are required on the check. If there are not two authorized signors on a shift, the check is printed and the inmate is told to come back on a later shift to pick up their check.

Accuracy and Accountability of Transactions

As of September 30, 2016, individual resident balances total \$13,418.06. This amount includes active and inactive residents. In trying to determine what inactive residents were, I ran a detail report which listed each inmate and their balance that we should be holding. There were 19 inactive inmates with a balance chosen for sampling. These 19 individuals had all been released from jail, but the software indicated we were still holding their funds. In this sample, I requested detail transaction history of their accounts. Of the 19 chosen, 17 of them had simply never been issued a check. Another person was issued a check at release, but the check was voided a month later.

As of September 30, 2016, the bank statement balance was \$23,933.62. However, after accounting for all outstanding checks, outstanding invoices due to Swanson, and receivables that had been collected but not remitted to the county, if all inmates were to cash out, there would be a cash deficit of approximately \$13,683.94.

I was able to confirm that \$2,932.52 of this cash shortage occurred in FY15, when the federal government reclaimed money from this account that had been paid to an individual who was previously incarcerated in our jail, but had already been released and issued a check for his funds. When the feds drafted the money out of our account, they ultimately took other inmates' money. Jail management attempted to recover the funds but did not have any luck. It did not appear that any measures were taken to assess a receivable on this inmate's account to try to recover these funds if he ever returns to our jail.

Observation on Compliance with State Law

The Upshur County Sheriff's Office contracts with a private vendor to maintain the commissary for the use of the inmates in the Upshur County Jail. The Local Government Code states that the Sheriff shall accept new bids to renew contracts of commissary suppliers every five years. Bids were accepted in May 2013, thereby satisfying this requirement.

Upshur County is paid a percentage of the commissary operations as profit. These proceeds are placed in the Inmate Welfare fund and may only be in accordance with LGC 351.0415(c). Cleared checks and corresponding invoices were reviewed to verify proper use of funds. Both the Inmate Trust account and the Inmate Welfare account appear to be used in accordance with this statute.

One purchase was made from the Inmate Welfare account in August 2015 where sales tax was paid. All purchases from the Inmate Welfare account should be tax exempt.

Observation on Review of Internal Controls

Regarding the Inmate Trust account, separation of duties is evident in the commissary operations. The primary contact over this section of the audit was Chief James Grunden. Chief Grunden has sole access to the lock box, prepares the deposits, and oversees the general administration of the Inmate Trust account. Another employee, Deputy Miguel Larsen, who has no signatory or depository responsibilities, completes bank reconciliation on the Inmate Trust account.

Deputy Lana Stracener is primarily responsible for the Inmate Welfare account. Deputy Stracener also reconciles the bank statement on the Inmate Welfare account.

Signature cards were reviewed to ensure only authorized individuals have signature authority on both accounts. Though at times there may be a slight delay in updating signature cards due to high turnover in the jail, it is apparent that the Sheriff's Office is diligent in keeping the bank signature cards up to date.

Two signatures are required on all checks. However, there were at least 13 checks issued from the Inmate Trust fund which were cashed with only one signature. Though this could be considered a deficiency in internal control, it is partially the fault of the bank.

The Sheriff's office does not maintain an electronic check register on the Inmate Welfare account. The running balance is maintained only on the check stubs in the checkbook.

FINDINGS AND RECOMMENDATIONS

Many inmates are being released without being issued a check for their balance. Jail management should inform jail staff of the importance of paying inmates their account balances upon release, and should periodically review the resident balance review to ensure compliance.

There were at least 13 checks cashed on the Inmate Trust Account with only one signature. The Sheriff's Office should exercise due diligence in ensuring that two signatures are on all checks.

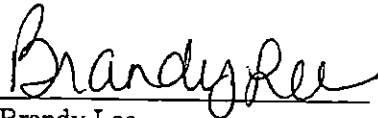
On the Inmate Trust Account, adjustments to the bank reconciliation should be approved by a supervisor. While adjustments may fix the problem of an unbalanced bank reconciliation, they contribute to the overall discrepancy between resident balances and available funds. The Sheriff's Office should work closely with the County Auditor's Office to come up with a plan to balance this account with the resident balance report and to develop policies and procedures to prevent future discrepancies.

The same employee who has primary control and check writing authority on the Inmate Welfare Account is also performing the bank statement reconciliation. The Sheriff's Office should assign a separate employee the task of reconciling the bank statement.

Sales tax was paid on one purchase from the Inmate Welfare account. The Sheriff's Office should provide tax exempt information to all vendors to ensure good stewardship of inmate welfare funds.

CONCLUSION

The general operation of the commissary program seems to be in compliance with law and documented procedures. Accounting procedures could use some improvement and I will work closely with the Sheriff's Office to see that this is done.



Brandy Lee
Upshur County Auditor

Results of this audit are being sent to:

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Texas Commission on Jail Standards

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2017 FEB 15 AM 9:59
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BY  DEPUTY