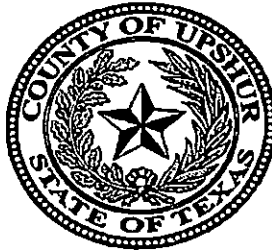


COUNTY AUDITOR'S REPORT

SHERIFF'S DEPARTMENT JAIL COMMISSARY AUDIT

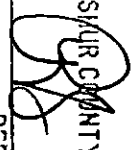
FISCAL YEAR 2019



March 23, 2020

Connie Williams, C.P.A.
Upshur County Auditor

Greg Dodson
Upshur County Assistant Auditor

2020 MAR 31 AM 11:06
UPSHUR COUNTY, TX.
BY 
DEPUTY

FILED
TERRI ROSS
COUNTY CLERK

Upshur County Auditor

P.O. Box 730
Gilmer, TX 75644
(903) 843-4001



Connie Williams

County Auditor
Linda Sikes
Assistant Auditor
Greg Dodson
Assistant Auditor

March 23, 2020

Sheriff Larry Webb
Upshur County Sheriff's Office
405 Titus Street
Gilmer, Texas 75644

RE: Sheriff's Office Jail Commissary Audit for Fiscal Year 2019

Sheriff Webb;

Pursuant to Texas Local Government Code 351.0415, the Upshur County Auditor's Office conducted an internal audit of the Sheriff's Department Jail Commissary (Commissary) and Inmate Welfare (Welfare) accounts for the period October 1, 2018 through September 30, 2019. A copy of the report will be provided to the Texas Commission on Jail Standards in accordance with Texas Government Code (TGC) 511.016.

As part of the procedures performed, we reviewed the Commissary Services Agreement dated August 15, 2018 between Keefe Commissary Network (Keefe) and the Upshur County Sheriff's Office. We also reviewed the Inmate Telephone Service Agreement dated November 30, 2016 between NCIC Inmate Telephone Service and Upshur County. In addition, we selectively tested supporting documentation to determine whether:

- Commissary operations comply with the respective statutes of Texas Administrative Code (TAC), Local Government Code (LGC) and Texas Commission on Jail Standards (TCJS).
- Separate Commissary accounts are maintained showing the amount of proceeds from Commissary operations and disbursements from the proceeds comply with LCG 351.04.
- Commissions paid based on vendor contracts for Commissary sales and Inmate telephone service comply with the respective contract terms.
- Appropriate internal controls exist for Commissary operations.
- Bank reconciliations were accurately completed and timely submitted to the County Auditor's Office for review.

The enclosed Auditor's Report presents an overview of the Sheriff's Office Jail Commissary (Commissary) and Inmate Welfare accounts, the results of our audit and suggested opportunities for procedural improvements.

Please accept my gratitude and appreciation for the assistance and cooperation we received, from you and your staff, in completing the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Connie Williams". The signature is fluid and cursive, with a prominent initial "C" and a long, sweeping underline.

Connie Williams
Upshur County Auditor

cc: Upshur County Judge Todd Tefteller
Commissioners:
Frank Berka
Paula Gentry
Jay Miller
Dustin Nicholson
Chief James Grunden

Results of this audit are mailed to:
Texas Commission of Jail Standards
Attn: Shannon Herklotz,
P.O. Box 12985
Austin, Texas 78711

INTRODUCTION

The Upshur County Auditor's Office conducted an internal audit of the Sheriff's Office Commissary accounts in accordance with Local Government Code (LGC) 351.0415 and Texas Government Code (TGC) 511.016. The internal audit covered the period October 1, 2018 through September 30, 2019.

The internal audit objectives consisted of:

Objective 1: Ensuring accurate accounting of inmate trust accounts to reflect commissary purchases, deposit of funds and payments for prescriptions and medical services.

Objective 2: Verification that commissions paid to the Sheriff's Department and County Treasurer were in agreement with the terms and conditions of the external vendor contracts for the provision of Commissary products and inmate phone service.

Objective 3: Validating that all expenditures made from the net proceeds of the Commissary complied with LGC 351.0415 (c) as follows:

Objective 4: A review of the Inmate Commissary Plan to ensure compliance with TAC 291.3.

Objective 5: Review the monthly bank reconciliations for the two Commissary bank accounts (Inmate Trust and Inmate Welfare) to ensure existence of appropriate controls over funds.

BACKGROUND

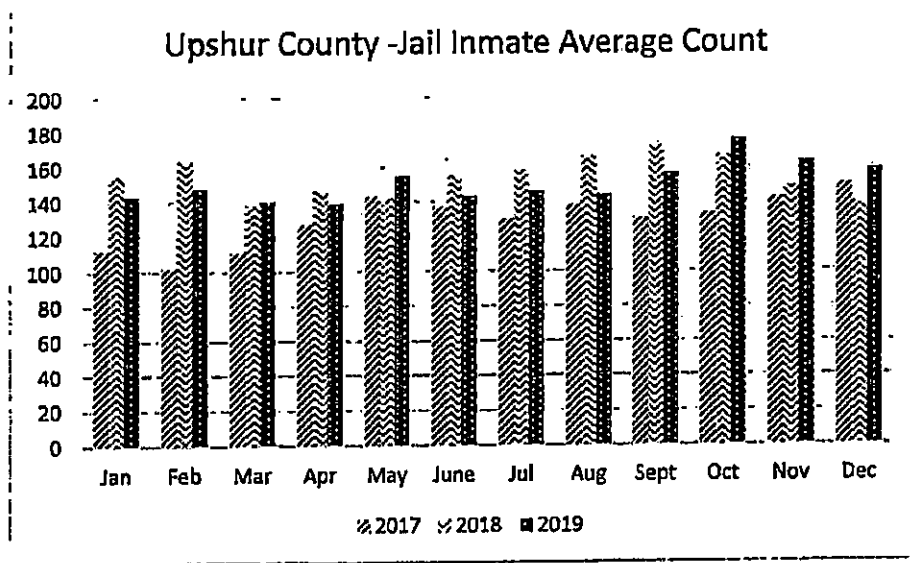
The Commissary sells food products, hygiene supplies, clothing, and writing materials, in addition to those provided to inmates by the County. Inmate Commissary Trust Accounts (Trust Account) are established at the time of book in. Deposits to the inmate accounts consist of funds in the inmates' possession and subsequent deposits by family and friends. Inmates place orders for Commissary items, subject to availability of funds, via phone by entering their individual inmate booking number (SO number) and pin linked to their Trust Account. Additional funds may be added to inmates' Trust Accounts by cash or credit card via a Kiosk located in the lobby.

In addition to Commissary items, inmates may also purchase pre-paid phone cards and e-cigarettes utilizing funds available in their Trust Account. Phone cards and e-cigarettes are purchased using funds from the Inmate Welfare Account on an "as-needed basis". Revenue generated from the sale of the e-cigarettes and phone cards is credited to the Inmate Welfare Account. The mark-up is approximately 60 % on the phone cards and 80 % on the e-cigarettes.

The Sheriff's Office has a Commissary Services Agreement (the Agreement) with Keefe Commissary Network, LLC (Keefe) to supply commissary items, services and related computer software to facilitate commissary operations. The term of the Agreement is five (5) years and was effective August 1, 2018. Per the Agreement Keefe will pay a commission to the Sheriff's Office equal to 38.5 % of gross sales less any non-commissioned items (stamps, indigent kits, admission kits)

The inmate telephone system is provided by NCIC under a five (5) year contract with the Sheriff's Office effective November 30, 2016. Per the contract NCIC will provide at no cost a fully operational, local and long distance, phone system inclusive of all equipment, repair and installation. Terms of the contract state Upshur County will receive a minimum annual guarantee payment of \$ 73,000 upon activation and at the end of each contract year. In addition, Upshur County will receive 60% of gross revenue exceeding the minimum guarantee.

The Upshur County Jail has a maximum capacity of 226 inmates. The chart below presents comparative results of the average inmate population for the jail for calendar years ended December 2017, 2018 and 2019.



Proceeds generated from the commission paid on Commissary proceeds and the sale of e-cigarettes and phone cards are deposited into a separate bank account entitled Inmate Welfare Fund. As provided in section 351.0415 (C) of the Local Government Code (LGC), the proceeds from a county jail Commissary may be used only for the following five purposes: (1) fund, staff and equip a program addressing the needs of the inmates, (2) supply inmates with clothing, writing materials and hygiene supplies (3) establish, staff, and equip the Commissary operation and fund the salaries of staff responsible for managing the inmates' commissary accounts,

(4) fund, staff, and equip both an educational and law library, or (5) fund physical plant improvements, technology, equipment, programs, services and activities that provide for well-being, safety, and security of the inmates and facilities.

OBJECTIVE 1: INMATE TRUST ACCOUNTS

We obtained a Resident Balance List as of 09/30/19 for all inmates, both inactive and active, and selected a sample of individual trust accounts to examine detailed transactions for the fiscal year and noted the following:

- Adequate procedures are in place to ensure that all funds added, commissary purchases, and deductions for purchases and payments for debt owed are accurately posted to the each inmate's Trust Account. Detailed activity reports can be generated for every Inmate Trust account.
- The policy of the Sheriff's Department is to apply 40 % of the available balance in an inmate's trust account to the inmate's outstanding debt. We noted several instances where available funds were not applied to outstanding debt. Per the Sheriff's Office this was an error in initial set-up of the software and has been corrected by the vendor.
- The Resident Trust Account Balance Report included approximately 1,900 inmates who are inactive (i.e. no longer booked in the Upshur County Jail). Of these inactive inmates, many have remaining trust balances which could be applied to outstanding debt and the associated trust balance closed.
- At the request of an inmate being released, on October 8, 2019 manual check number 1163 was issued to another individual for reimbursement of the inmate's trust account balance. In order to record this on the inmate's trust account, a second payment (to the inmate) was entered into the computer software with the same check number, but a check was not printed or released. Should this type of request be made in the future, a better method would be to make the check payable to the inmate and the inmate would be responsible for signing the check over to another individual.

Recommendations:

- Periodically review trust balance reports to ensure 40 % of available trust funds are applied to outstanding debt.
- When an inmate is released, any remaining Trust Account balance should be applied to any existing debt and the Trust Account closed.

OBJECTIVE 2: VERIFICATION OF COMMISSIONS

- From October 1, 2018 through May 31, 2019 Keefe Commissary Network remitted a monthly check to the Upshur County Jail for commissions earned on Commissary Sales. We noted that for the months of October through January, Keefe calculated the commission at a rate of 35.5% rather than 38.5 %. However, Keefe was notified of the error and remitted a check for back commission payment in February 2019. All commission payments were deposited in the Inmate Welfare Account.
- Beginning in June 2019, rather than sending a commission check, Keefe applies the commission earned as a deduction to the amount due for Commissary supplies provided.
- Per terms of the contract with NCIC, Upshur County is to receive a Minimum Annual Guarantee of \$ 73,000. NCIC remitted payment for FY 19 on January 10, 2029.

OBJECTIVE 3: VALIDATION OF EXPENDITURES

INMATE WELFARE ACCOUNT

We reviewed copies of checks and invoices/supporting documentation for all disbursements made in FY 19 and noted the following:

- All disbursements were in compliance with authorized purposes designated in LGC 351.0415.
- Two checks had only one signature.
- Three checks had no receipt attached.
- The Inmate Welfare account is a manual system, all checks are handwritten.

Recommendations:

- If a receipt is lost or misplaced, a brief note can be attached to the check providing a description and purpose of expense.
- Dual signatures should be obtained on all checks.
- The Sheriff's Office might consider purchasing an accounting software package such as QuickBooks to automate the Inmate Welfare account.

OBJECTIVE 4: INMATE COMMISSARY PLAN

The Upshur County Jail Commissary Plan complies with all requirements of TAC 291.3, however we suggest that the Plan be updated for changes related to funds deposited through the kiosks.

OBJECTIVE 5: BANK RECONCILIATIONS

The monthly bank reconciliations for both the Inmate Welfare Account and the Inmate Trust Account were completed and submitted to the Auditor's Office on a timely basis. We were impressed that the Inmate Trust Account reconciliations were complete and up to date given the challenges of transitioning to new software.

FILED
TERRI ROSS
COUNTY CLERK

2020 MAR 31 AM 11:06

UPSHUR COUNTY, TX.

BY

DEPUTY