



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

01-06

January 3, 2020

The Honorable Richard D. Wiles
El Paso County Sheriff
3850 Justice Drive
El Paso, Texas 79938

Dear Sheriff Wiles:

The County Auditor's Internal Audit division performed an audit of the El Paso County Sheriff's Jail Commissary to determine if internal controls are adequate to ensure proper statement of inmate accounts and proper preparation of Commissary Inmate Profit Fund financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested seven financial controls with a total of 200 samples. There were two findings noted as a result of the audit procedures. We wish to thank the management and staff of the Sheriff's Office for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

Barbara Franco for Edward A. Dion

Edward A. Dion
County Auditor

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cc: Ms. Betsy Keller, Chief Administrator



**El Paso County Sheriff's Office
Jail Commissary Audit
EXECUTIVE SUMMARY**

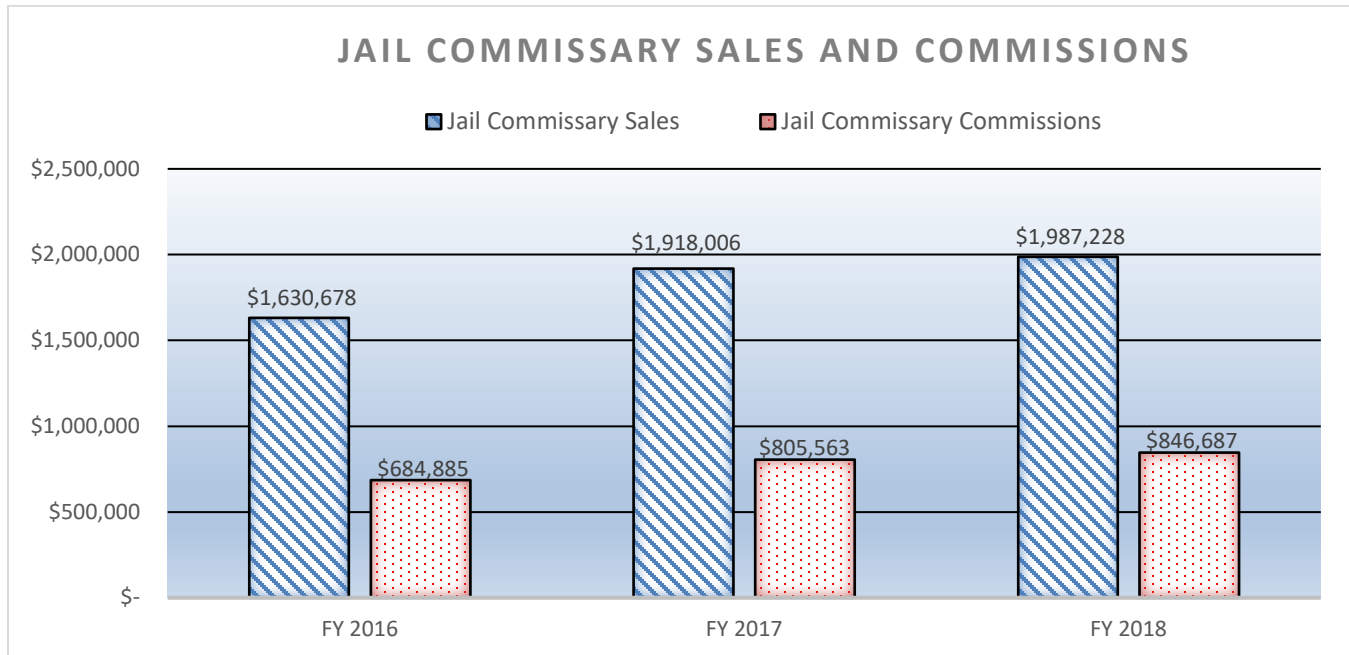


BACKGROUND

The Jail Commissary, operated by Aramark Corporation, is for the use of County jail inmates to purchase personal hygiene items, snacks, stationery, and phone time. Jail commissary sales commissions fund the Inmate Profit Fund, which may be used for expenditures outlined in *Local Government Code § 351.0415 (c)*. Financial reporting was reviewed using information from the Inmate Trust Bank Statement, Munis (the County financial system) and the Aramark Core System. Internal Sheriff's Office reporting was also used during the course of the audit. The audit was performed by Phillip Trevizo, internal auditor. The most recent prior audit report was issued on June 18, 2018. The status of prior year audit action plans may be found in the *Findings and Action Plans* section of this report.

FINANCIAL REPORTING

The Commissary Inmate Profit Fund fiscal year 2018 balance sheet; combined statement of revenues, expenditures, and changes in fund balance; and schedule of revenues, expenditures, and changes in fund balances – budget and actual as reported in the 2018 El Paso County Comprehensive Annual Financial Report (CAFR) are attached. The CAFR can be accessed at http://www.epcounty.com/auditor/publications/cafr/cafr_18/main.htm. The following chart is an analysis of jail commissary sales and commissions for the past three fiscal years.



OBJECTIVES

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the Jail Commissary. Following are the business objectives and related control assessments.

Business Objective	Control Assessment
1. Functioning appropriate cash controls	Satisfactory
2. Complete and accurate bank reconciliations	Needs Improvement
3. Accurate inmate commissary account order and return credit transactions	Needs Improvement
4. Appropriate and timely posting of manual receipts to Aramark Core	Satisfactory
5. Accurate and complete commissary sales commissions	Satisfactory
6. Review and approval of allowable expenditures	Satisfactory

SCOPE

The scope of the audit is from January 2018 through December 2018.



**El Paso County Sheriff's Office
Jail Commissary Audit
EXECUTIVE SUMMARY**



METHODOLOGY

To achieve the audit objectives we:

- Performed a surprise cash count at Jail Annex and Detention Center collections stations in accordance with *Local Government Code §115.0035*.
- Reviewed a sample of bank reconciliations for completeness and timeliness.
- Reviewed a sample of daily deposit packets.
- Reviewed a sample of Inmate Commissary orders and return credits.
- Tested a sample of manual receipts for appropriate and timely posting to the Aramark Core System.
- Reviewed a sample of Jail Commissary Profit Fund commissions and verified transfer to the Inmate Profit Fund.
- Tested a sample of personnel, operating, equipment and contracted services expenditures to verify compliance with *Local Government Code § 351.0415 (C)*.
- Reviewed prior audit action plans for implementation status.

RESULTS

Listed below are control and finding summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for related details and management action plans.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Cash handling procedures (Obj. 1) • Posting of manual receipts (Obj. 4) • Weekly report of Commissary Sales Commissions (Obj. 5) • Review of Inmate Profit Fund expenditures (Obj. 6) 	<ul style="list-style-type: none"> • Reconciliation of bank account (Obj. 2) • Posting of orders and return credits to inmate accounts (Obj. 3)
Findings Summary	
<ol style="list-style-type: none"> 1. Fourteen instances of missed inmate order return credits. 2. Unauthorized ACH transaction reimbursement denied due to late claim, and untimely bank reconciliations. 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County's assets from loss, theft, or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

The El Paso County Sheriff's Office met four of six objectives for this audit. Implementation of recommendations provided in this report should assist the Sheriff's office in improving the Jail Commissary internal control structure.



**El Paso County Sheriff's Office
Jail Commissary Audit
Findings and Action Plans**



Prior Audit Findings Summarized with Current Status

Status

Closed M

- Finding:** One manual receipt for \$40 was credited to the wrong inmate account. After being notified, the cashier deposited \$40 of her own money to correct the inmate's account. The policies and procedures to address these issues are not documented by BITS, which may lead to inconsistencies while handling similar issues.

Recommendation: BITS management should establish and follow documented policies and procedures to address instances where a cashier does not properly credit an inmate's account to ensure consistent handling of any future similar errors.

Action Plan: BITS was instructed to amend the Internal Security Procedures to provide that employees shall not use personal funds to cover losses by said employee. Policies will indicate that internal investigations may be conducted to determine the circumstances surrounding employee errors and what, if any, remedial/disciplinary steps respecting the employee are indicated. *Done 5/30/18*

Current Audit Findings & Action Plans

Finding #1	Risk Level M
<p>Order return credits not posted – While reviewing a sample of return order credits it was noted in 14 instances, 19% of return credits sampled, the return credit was not applied to the inmate's account. Upon further inquiry, it was explained by Aramark management the return credit tickets are to be separated after delivery of items and submitted to the individual responsible for processing inmate return credits. In this instance the return credit tickets were mixed-up with regular completed order tickets and not submitted for return credit processing. Once made aware of the discrepancy the return credits were processed by Aramark personnel in the Aramark Core System. Not applying the return order credits properly increases the risk of incorrect inmate account balances.</p>	
Recommendation	
<p>We recommend the Sheriff's Office contact Aramark to advise them of the importance of ensuring operating procedures are followed by personnel when submitting inmate order return credits to the individual responsible for processing return credits.</p>	
Action Plan	
Person Responsible	Estimated Completion Date
Aramark Personnel	11/12/2019
<p>Aramark has been advised the importance of following operating procedures for inmate order return credits. Furthermore, Aramark management provided updated written procedures for inmate order credits.</p>	



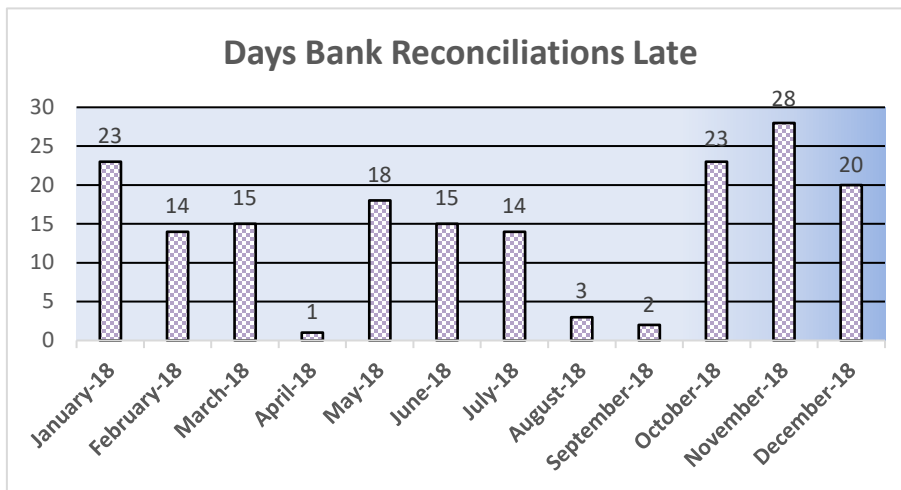
**El Paso County Sheriff's Office
Jail Commissary Audit
Findings and Action Plans**



Finding #2 **Risk Level** M

Late dispute of unauthorized ACH transaction and completion of bank reconciliations – While reviewing a sample of 3 out of 12 of bank reconciliations, the following was noted:

- The inmate trust bank account was debited with fraudulent ACH transactions in April 2018, May 2018 and June 2018 for a total of \$2,117.35. BITS disputed the charges and the funds were replenished by the bank except for one ACH transaction (Verizon Wireless \$122.72). The dispute was denied by the bank because the claim had been submitted after the allowable time for disputed transactions (60 days). One of the safeguards implemented as a result of the incident is the bank will place all ACH transactions on hold until receiving approval from BITS staff.
- BITS staff has an undocumented policy of completing the inmate trust bank reconciliations 45 days after the end of the month, however, the bank reconciliations for the inmate trust account were completed late on all 12 months of the audit period. 9 out of 12 reconciliations in particular were completed between 14 and 28 days late.



Recommendation

BITS management should establish documented policies and procedures for bank reconciliations, and ensure that bank reconciliations are completed within 45 days of month closing; reconciling items should be cleared within 90 days unless extenuating circumstances exist. Furthermore, we recommended BITS staff perform on-going cursory reviews of the inmate trust bank account to check for any unusual bank activity.

Action Plan

Person Responsible	BITS	Estimated Completion Date	12/17/2019
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BITS management will establish a written policy requiring bank reconciliations be completed within 45 days of month closing. We will continue working with the newly implemented solution of placing all ACH transactions on hold until BITS approves/disapproves every transaction.