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**MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR**

January 23, 2026

Dear Sheriff Ed Gonzalez:

The Harris County Auditor's Office Audit Division has completed an audit of the Inmate Trust Banking Controls. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Glenn Holloway, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

Attachment

Report Copies:

District Judges

County Judge Lina Hidalgo

Commissioners:

Lesley Briones

Rodney Ellis

Adrian Garcia

Tom Ramsey

County Attorney Jonathan Fombonne



Internal Audit Report

Inmate Trust Banking Controls

January 23, 2026

Executive Summary

OVERALL CONCLUSION

The overall controls related to the Inmate Trust Banking processes were found to be ineffective. Opportunities for improvement were identified for issuing funds to former inmates, performing bank and system reconciliations, and improving user access controls in the Keefe Inmate Trust Management System (Edge). The observations were discussed with Harris County Sheriff's Office (Sheriff's Office) management, and management action plans have been developed, which will address the observations identified by September 30, 2026.

SCOPE AND OBJECTIVE

The audit procedures tested internal controls over the Sheriff's Office Inmate Trust Banking processes for the period of October 1, 2024, to March 31, 2025. The objectives of this engagement were to determine whether:

- Inmate Trust Fund balances were accurately and timely provided to inmates or a receiving correctional facility upon an inmate's release or transfer, respectively;
- Inmate Trust Fund withdrawals were properly authorized, monitored, and accurately recorded in the Keefe Edge Application (Edge);
- Inmate accounts in Edge agreed with accounts in the Offender Management System (OMS);
- Edge user roles are authorized, monitored, and appropriate;
- Inmate Trust Fund bank account reconciliations complied with County Accounting Procedure C.8, *Custodial Agency Bank Accounts*;
- Inmate Trust Fund activity was accurately and timely recorded in the County's Financial System (STARS/PeopleSoft); and
- Inmate Trust Fund internal procedures accurately reflected current processes.

SUMMARY OF AUDIT OBSERVATIONS

- Lack of Procedures Related to Released Inmate Account Balances
- Monthly Bank Account Reconciliations Not Performed
- User Access Controls Need Improvement
- Voided Check Controls Need Improvement
- Reconciliations of Inmate Records Not Performed

The audit observations, management's action plans to address the observations, and background information regarding this audit are discussed in more detail on the following pages. Each audit observation is ranked based on the likelihood and impact of the risk to the County.

AUDIT OBSERVATIONS

OBSERVATION #1: Lack of Procedures Related to Released Inmate Account Balances [HIGH] REPEAT OBSERVATION

What is the Observation: As of March 31, 2025, the Sheriff's Office has \$888,425 in funds that had not been issued to inmates upon their release or transfer. This total balance was composed of 50,015 individual inmate account balances.

Why it Happened: Formal procedures for returning or escheating inmate funds subsequent to an inmate's release or transfer have not been developed. Specifically, the Sheriff's Office does not perform periodic reviews to identify released inmates with remaining balances and disburse the funds but instead relies on the released inmates to request the unclaimed funds.

Why it Matters: Failure to monitor and return inmate funds increases the risk of fraud or misappropriation of funds, and results in noncompliance with Texas Government Code 501.015, *Providing Discharged or Released Inmate with Clothing and Money*.

What is Expected: Texas Government Code 501.015, *Providing Discharged or Released Inmate with Clothing and Money*, states, "When an inmate is discharged or released on parole, mandatory supervision, or conditional pardon, the department shall provide the inmate with money held in the inmate's trust account."

What Actions are Suggested:

- 1.a. Review the unclaimed inmate balances and return appropriate funds to the former inmates as required by statute. If the funds cannot be returned, review the funds for escheatment eligibility in accordance with Texas Property Code Title 6, *Unclaimed Property*.
- 1.b. Develop written procedures for the monitoring, review, and issuance of funds that are held subsequent to an inmate's release. Consider implementing a monthly review of accounts for all inmates released in the past 30 days with outstanding balances, and establish procedures for contacting them to return remaining funds. These procedures should be included in the current Inmate Trust Fund Policy.

MANAGEMENT'S ACTION PLAN

1.a. Responsible Party: Tom Katz, Marilyn Rose, and Sonja Lewis

Unclaimed inmate funds will be reviewed and returned to the former inmates as required by statute. If the funds cannot be returned, the funds will be reviewed for escheatment eligibility in accordance with Texas Property Code Title 6, *Unclaimed Property*.

Targeted Completion Date: July 31, 2026

1.b. Responsible Party: Sonja Lewis

The Inmate Trust Fund Policy will be updated to include written procedures for the monitoring, review, and issuance of funds that are held subsequent to an inmate's release. A quarterly review of all accounts for inmates released with outstanding balances and steps to contact the inmates for returning the funds will be incorporated into the procedures.

Targeted Completion Date: June 30, 2026



OBSERVATION #2: Monthly Bank Account Reconciliations Not Performed **[HIGH]**

What is the Observation: The reconciliations for the Inmate Trust Bank Account were only partially completed during the audit period, October 1, 2024, through March 31, 2025. Specifically, County Auditor's Form 324A, *Non-Imprest Bank Account Monthly Reconciliation Report*, was not prepared and submitted to the Auditor's Office.

Internal Audit reviewed disbursements for a sample of two months, December 2024 and February 2025. The Sheriff's Office was unable to provide supporting documentation for the disbursements recorded on the County Auditor's Form 324C, *Custodial/Imprest/Other Departmental Bank Account Monthly Summary Report*, for both months.

Why it Happened: Per discussions with Sheriff's Office Management, employee turnover in key financial and accounting positions led to delays in completing bank reconciliations. Additionally, Management has not adequately documented procedures, which hindered new staff from efficiently performing these critical functions during the transition period.

Why it Matters: Failure to complete bank account reconciliations results in non-compliance with County Accounting Procedure C.8, *Custodial Agency Bank Accounts*. In addition, it increases the risk of financial misstatement, errors, unresolved reconciling items, and potential fraud.

What is Expected: County Accounting Procedure C.8, *Custodial Agency Bank Accounts*, requires that County departments reconcile their custodial bank accounts monthly. To perform this monthly reconciliation, the department prepares and submits the County Auditor's Form 324A, *Non-Imprest Bank Account Monthly Reconciliation Report*, and County Auditor's Form 324C, *Custodial/Imprest/Other Departmental Bank Account Monthly Summary Report*, to the Auditor's Office.

What Actions are Suggested:

- 2.a. Complete all outstanding bank reconciliations and submit the corresponding forms and supporting documents to the Auditor's Office for review and approval.
- 2.b. Develop and maintain comprehensive, documented procedures for bank reconciliations and related accounting functions.
- 2.c. Implement cross-training for key financial personnel to ensure continuity and timely completion of these critical tasks during periods of employee turnover.

MANAGEMENT'S ACTION PLAN

2.a. Responsible Party: Sonja Lewis

Outstanding bank reconciliations and corresponding County Auditor's forms will be completed and submitted to the Auditor's Office for review and approval.

Targeted Completion Date: March 31, 2026



2.b. Responsible Party: Sonja Lewis

Comprehensive and documented procedures for bank reconciliations and related accounting functions will be developed and maintained.

Targeted Completion Date: May 31, 2026

2.c. Responsible Party: Sonja Lewis

With the development of desk procedures identifying the step-by-step instructions to complete monthly bank reconciliations, management will also cross-train key personnel to ensure continuity and timely completion of these critical tasks when needed due to vacation or employee turnover.

Targeted Completion Date: May 31, 2026

OBSERVATION #3: User Access Controls Need Improvement [HIGH] REPEAT
OBSERVATION

What is the Observation: User access controls for the Edge system need improvement to address the following areas:

- Seventeen Sheriff's Office employees (e.g. clerks, analysts, accountants, etc.) have excessive system access. This access creates segregation of duties conflicts and provides unrestricted access to perform functions such as administering application security, posting journal entries, performing reconciliations, and printing checks or loading debit cards with funds from inmate accounts.
- User access for four former Sheriff's Office employees was not deactivated in the Edge system following their terminations (retirement, transfer, resignation, etc.). The delays in deactivations ranged from several months to over a year after the employees' terminations.

Why it Happened: User access controls were not established during the Edge system implementation in April 2022. In addition, a process for periodic reviews of Edge user access has not been established to ensure that all active accounts belong to current, authorized employees and that access levels align with employees' current responsibilities.

Why it Matters: The lack of user access and segregation of duties controls increases the risk of fraud, errors, and misappropriation of funds.

What is Expected: The Harris County Information Technology Access Control Policy outlines the following system access requirements:

- *8.1.1 Authorized User Access Rights* - Following the principle of least privilege, individuals must only be granted access to the systems, applications, and data required to perform their respective job functions.
- *8.8.1 User Termination* - All user access privileges to Harris County information technology resources must be disabled immediately or no later than 24 hours after a user's termination.
- *8.10.1 Access Review* - County Officials must periodically, and at least annually, verify the membership, access, and contents of the information technology resources for which they have primary responsibility to ensure that only authorized members retain correct access and permissions.



What Actions are Suggested:

3.a. Perform a comprehensive review of all active Edge users to confirm they are authorized County employees, and the assigned roles align with job responsibilities and ensure proper segregation of duties.

3.b. Implement a periodic review process to ensure that each user's access is provisioned appropriately and aligns with the principle of least privilege. These access reviews should be formally documented, approved, and retained for audit purposes.

3.c. Implement a process to ensure that user access privileges are disabled immediately, or no later than 24 hours, after a user's termination.

MANAGEMENT'S ACTION PLAN

3.a. Responsible Party: Tom Katz

Management will work with the Keefe developers to understand the available access roles and their functionality within the system. Existing users' access and privileges will be reviewed to ensure no overlapping exists. Access will be assigned based on job duties, the principle of least privilege, and proper segregation of duties

Targeted Completion Date: May 31, 2026

3.b. Responsible Party: Tom Katz

A quarterly review process will be implemented to ensure that each user's access is provisioned appropriately and aligns with the principle of least privilege. These reviews will be formally documented, approved, and retained for audit purposes.

Targeted Completion Date: May 31, 2026

3.c Responsible Party: Tom Katz

A process will be implemented to ensure that user access privileges are disabled immediately, or no later than 24 hours, after a user's termination.

Targeted Completion Date: February 28, 2026

OBSERVATION #4: Voided Check Controls Need Improvement [HIGH]

What is the Observation: Controls for tracking and reviewing voided checks in the Edge system need improvement to address the following observations:

- 396 checks were not properly designated as "void" within Edge.
- Voided checks were inconsistently recorded on internal logs, limiting management's ability to reconcile, review, and approve these transactions effectively.

Why it Happened: The Inmate Trust team has not received adequate training to ensure that voided checks are properly designated in the Edge system. In addition, according to Sheriff's Office Management, formal review procedures have not been fully established to confirm that all voided checks are recorded on internal logs, as well as reviewed and approved by management.



Why it Matters: Failure to properly void checks in the system and record them on internal logs for subsequent review and approval can lead to financial discrepancies. In addition, this can significantly increase the risk of errors, fraud, and misappropriation of funds.

What is Expected: The Government Finance Officers Association (GFOA) emphasizes the necessity of maintaining accurate accounting records as a fundamental aspect of sound financial management. GFOA's best practices advocate for the establishment of robust internal control systems to ensure the reliability and integrity of financial information.

What Actions are Suggested:

- 4.a. Correct Edge system records to appropriately designate the 396 checks as "void."
- 4.b. Establish and document standardized procedures to ensure all voided checks are consistently recorded on internal logs, as well as reviewed and approved by management.
- 4.c. Ensure that relevant Inmate Trust staff are trained in the correct procedures for voiding checks within the Edge system.

MANAGEMENT'S ACTION PLAN

- 4.a. **Responsible Party:** Tom Katz and Sonja Lewis

Management has identified checks to be a part of an inactive bank account which exists as part of the County's recent bank change. We will work in tandem with Keefe developers to identify and update the system records to appropriately designate the bank account as inactive and checks as "void."

Targeted Completion Date: March 31, 2026

- 4.b. **Responsible Party:** Tom Katz

Management will establish and document standardized procedures to ensure all voided checks are consistently recorded on internal logs, as well as reviewed and approved by management.

Targeted Completion Date: March 31, 2026

- 4.c. **Responsible Party:** Tom Katz

Sheriff's Office Inmate Trust team members will receive annual training as a refresher to confirm their understanding of the void check process.

Targeted Completion Date: September 30, 2026

OBSERVATION #5: Reconciliations of Inmate Records Not Performed [HIGH]
REPEAT OBSERVATION

What is the Observation: Inmates recorded in the Edge system were not reconciled to the inmates recorded in the Sheriff's Office Offender Management System (OMS) system to ensure accuracy and completeness.

Why it Happened: Per Sheriff's Office Management, reconciliation procedures have not been established to verify that inmates in Edge are accurate.



Why it Matters: Not performing adequate reconciliations between Edge and OMS has resulted in 2,867 inmate records recorded in Edge but not identified in OMS. Furthermore, not performing reconciliation impairs management's ability to detect fraud and errors.

What is Expected: The GFOA recommends that appropriate reconciliations are performed by a government to identify errors and adjustments.

What Actions are Suggested: Establish monthly reconciliation procedures to ensure inmate records in Edge agree with those in OMS. Assign the responsibility of performing the procedures to someone who does not have the ability to process cash receipts or disbursements for the Inmate Trust account and someone who does not have access to create or adjust inmate accounts.

MANAGEMENT'S ACTION PLAN

Responsible Party: Tom Katz and Sonja Lewis

The Sheriff's Office will establish periodic reconciliation procedures to ensure inmate records in Keefe agree with those in OMS. The procedures will be performed by someone who does not have the ability to process cash receipts or disbursements for the Inmate Trust account and someone who does not have access to create or adjust inmate accounts.

Targeted Completion Date: June 30, 2026



BACKGROUND

The Inmate Trust Fund, authorized by Texas Government Code (TGC) § 501.014, *Inmate Money*, provides for the safekeeping of an inmate's funds during their confinement.

The Harris County Sheriff's Office has partnered with Keefe Commissary Network, LLC to provide inmate trust fund banking and commissary services. When an inmate is booked into the Harris County Jail System and registered in the Offender Management System, an inmate account is created in the Keefe Inmate Trust Management System (Edge). Inmates, family members, and friends can make deposits into Edge accounts, which can be used to purchase commissary products, make transfers to third parties, and pay for legal fees or personal bonds.

Pursuant to TGC 501.015, *Providing Discharged or Released Inmate with Clothing and Money*, "When an inmate is discharged or is released on parole, mandatory supervision, or conditional pardon, the department shall provide the inmate with money held in the inmate's trust account."

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. As the engagement's scope did not include a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

