

# **AUDITOR'S REPORT**

## **SHERIFF JAIL COMMISSARY** **FISCAL YEAR 2018**



**March 22, 2019**

**Michael Post, C.P.A., M.B.A.**  
**Harris County Auditor**

**Leslie Wilks Garcia, C.P.A., C.F.E.**  
*First Assistant County Auditor*

**Errika Perkins, C.P.A., C.I.A.**  
*Chief Assistant County Auditor*  
*Audit Division*



1001 Preston, Suite 800  
Houston, Texas 77002-1817  
(832) 927-4600

Fax (713) 755-8932  
Help Line (832) 927-4558

**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

March 22, 2019

Sheriff Ed Gonzalez  
Harris County Sheriff's Office  
1200 Baker Street  
Houston, TX 77002

RE: Sheriff's Office Jail Commissary for the 12 month period ended February 28, 2018

The Audit Services Department performed procedures relative to the Sheriff's Office Jail Commissary (Commissary). The objective of the engagement was to examine the Commissary accounts pursuant to Texas Local Government Code (LGC) §351.0415, and to report the results to the Texas Commission on Jail Standards in accordance with Texas Government Code (TGC) §511.016(a).

As a part of the procedures performed, we reviewed the Commissary Outsourcing Agreement (Agreement) dated March 1, 2016, between the Harris County Sheriff's Office (Office) and Aramark Correctional Services, LLC.

In addition, we selectively tested to determine whether:

1. Security of assigned user access rights was adequate and appropriate.
2. Bank reconciliations and related cash balances were accurately and timely recorded in the Commissary Systems and the County's Financial Records (IFAS).
3. Disbursements were in compliance with LGC §351.0415 and were properly authorized, supported, approved, accurately recorded in the Commissary Systems and IFAS, and purchases were from approved vendors.
4. Sales were accurately recorded in the Commissary Systems, and the correct amount was deducted from the respective inmates' trust accounts.
5. The Contractor reported the correct amounts for net revenue and applied the correct percentage when calculating payment amounts sent to the County as outlined in the Agreement.
6. Guaranteed and commission payments made to the County were received, recorded, and deposited timely.
7. The Contractor complied with the performance bond and insurance coverage terms of the Agreement.

Sheriff Ed Gonzalez  
Harris County Sheriff's Office

Furthermore, Audit Services:

8. Reviewed prior audit issues from the previous "Sheriff Jail Commissary" engagement to determine whether prior audit recommendations were implemented.

The engagement process included providing you with engagement and scope letters, and conducting an entrance and an exit conference with your personnel. The purpose of the letters and conferences were to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The work performed required our staff to exercise judgment in completing the scope procedures. As the procedures were not a detailed inspection 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 and omissions.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Michael Post  
County Auditor

cc: District Judges  
County Judge Lina Hidalgo  
Commissioners:  
    R. Jack Cagle  
    Rodney Ellis  
    Adrian Garcia  
    Steve Radack  
Kim Ogg  
Vince Ryan  
William J. Jackson

## **TABLE OF CONTENTS**

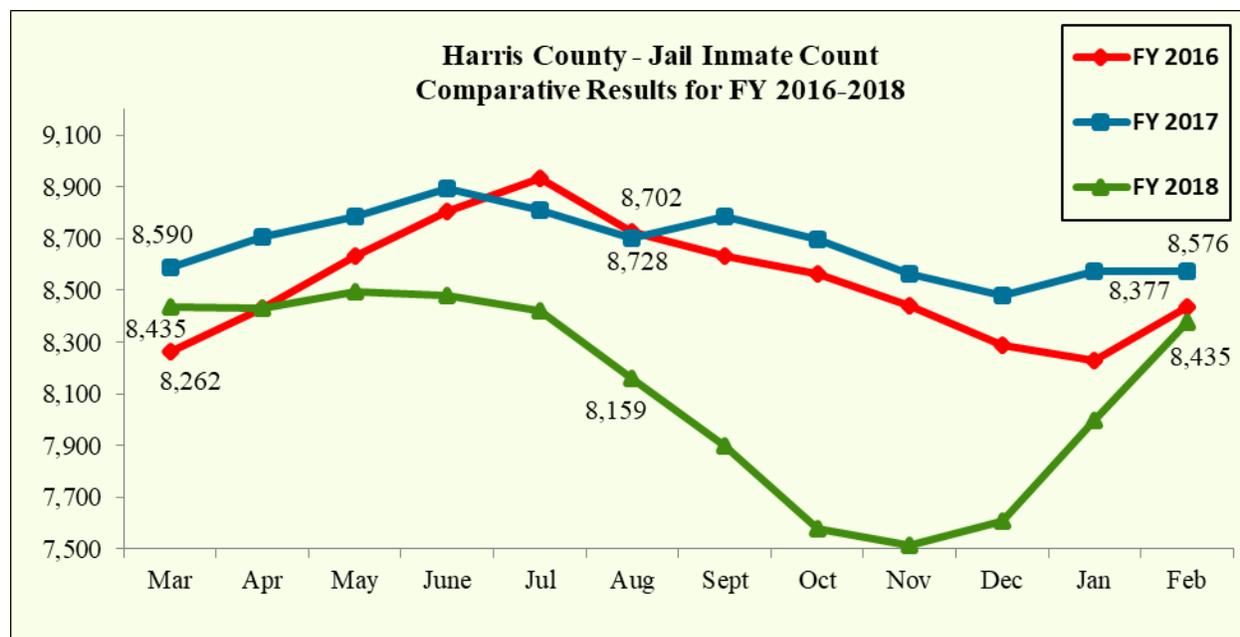
<b>OVERVIEW .....</b>	<b>4</b>
<b>RESULTS .....</b>	<b>6</b>
<b>ISSUES AND RECOMMENDATIONS .....</b>	<b>7</b>
<b>Segregation of Duties within QuickBooks.....</b>	<b>7</b>
<b>Vendor Master File .....</b>	<b>8</b>
<b>Record Retention.....</b>	<b>10</b>
<b>Commission Payments .....</b>	<b>12</b>
<b>Form W-9 .....</b>	<b>13</b>
<b>Reconciling Activity .....</b>	<b>15</b>
<b>Verification of QuickBooks Data .....</b>	<b>17</b>
<b>Commissary Menu Price Lists .....</b>	<b>18</b>
<b>Backup Administrator - QuickBooks.....</b>	<b>19</b>
<b>Information Technology Disaster Recovery/Business Continuity .....</b>	<b>20</b>
<b>Authorization of Bank Reconciliations .....</b>	<b>21</b>

## OVERVIEW

The Harris County Sheriff’s Office operates the following three downtown jail locations: 1200 Baker Street, 701 San Jacinto Street, and 1307 Baker Street. On March 1, 2016, the Office entered into a 1 year Agreement whereby Aramark Correctional Services, LLC (Contractor) would provide Commissary services for the 3 jail locations. Pursuant to the Agreement, the County earns a commission in an amount equal to 56% of net Commissary sales, and the County is guaranteed a minimum commission amount of \$4,000,000 per year. On March 1, 2017, the Agreement was renewed at the County’s option for an additional 1 year period with the same terms and conditions. Pursuant to the Agreement, the County has the option to renew the Contractor’s services for 4 additional 1 year periods with the same terms and conditions.

The Commissary sells food products, hygiene supplies, clothing, over the counter drugs, and writing materials that are not provided to inmates by the County. Contractor personnel supervise and process inmate orders, deliver the items to the inmates, and maintain the Commissary inventory. Individual inmate trust accounts (trust accounts) are established with funds in the inmates’ possession at the beginning of incarceration and credited with deposits made thereafter. Inmates may place orders for Commissary items, subject to available funds in their trust accounts. Commissary purchases are deducted from the trust accounts.

The chart below presents comparative results of the Sheriff Jail Inmate Count (population) served by the Commissary operations for the fiscal years ended February 2016, 2017, and 2018.



(Source: Harris County Sheriff’s Office Daily Jail Count by Facility)

On December 22, 2011, the Attorney General of Texas issued Opinion No. GA-0901. The summary information provided states, “A county sheriff controls the county jail Commissary fund, and as a result, the sheriff must make the initial determination, subject to judicial review, as to whether proceeds from the fund may be used for particular purposes. The proceeds may be

used only to fulfill one of the five purposes described in section 351.0415(c) of the Local Government Code.” The five purposes are as follows: “(1) fund, staff, and equip a program addressing the social needs of the inmates, including an educational or recreational program and religious or rehabilitative counseling; (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 a law library for the educational use of inmates; or (5) fund physical plant improvements, technology, equipment, programs, services, and activities that provide for the well-being, health, safety, and security of the inmates and the facility.”

## RESULTS

Based on the procedures performed for the Sheriff Jail Commissary and in accordance with LGC §351.0415, *Commissary Operation by Sheriff or Private Vendor*, and TGC §511.016, *Audits*, for the 12 month period ended February 28, 2018, the following was noted:

- Commissary proceeds were used for the benefit of the inmates or to fund, staff, and equip Commissary operations in accordance with LGC §351.0415(c).
- The Contractor complied with the performance bond and insurance coverage terms of the Agreement.

However, the following opportunities for improvement were noted:

1. Conflicting roles and responsibilities within QuickBooks should be segregated. In addition, Office Management should implement monitoring controls whereby the user activity in QuickBooks is reviewed and evidenced on a regular basis by independent personnel or Management.
2. Controls surrounding the administration and operation of the Office's vendor master file should be improved. Specifically, access to the vendor master file should be restricted to authorized QuickBooks users who require this access as part of their job responsibilities and/or business needs. In addition, vendors should not be added to the vendor master file without a secondary level of approval, and a review of the vendor master list should be performed on an annual basis to ensure the validity of all listed vendors. As a part of the annual review, consideration should be given to the inactivation of any vendor not utilized within the three-year period prior to review.

Furthermore, written policies and procedures governing the administration and operation of the vendor master file should be created. Vendor master file policies and procedures should be reviewed at least annually and updated for any changes to the process.

3. Office Management should coordinate with the Contractor and determine what actions are necessary to ensure that all pick-ticket invoices are maintained by the Contractor and available in a timely manner when requested.
4. All Commissary vendors should be reviewed to ensure that an associated Form W-9 is on file for each vendor.

These matters and others are discussed in more detail in the following Issues and Recommendations section of this report.

## ISSUES AND RECOMMENDATIONS

### Segregation of Duties within QuickBooks

#### Background

The Office uses the QuickBooks 2018 Enterprise version to track financial information related to the disbursement of Commissary funds. User permissions or access levels within QuickBooks are based upon "Roles" assigned to Office employees as required by their job responsibilities and/or business needs.

Per Information Technology (IT) best practices under the guidance of Control Objectives for Information and Related Technology (COBIT), there should be a clear segregation of duties by allocating roles for sensitive activities based on approved job descriptions and business process activities.

#### Issues

QuickBooks users are assigned "multiple roles" within the system. For example, four Office employees have been assigned the roles of "Accounts Payable" and "Purchasing", and therefore have the ability to create a purchase order and make payments for the items ordered on a purchase order.

In addition, user activity in QuickBooks is not reviewed by Management on a consistent basis for the detection of irregular, unauthorized, or inappropriate purchases.

Based on the selective testing performed, our audit did not detect any unauthorized transactions during the audit period. However, inadequate segregation of duties and the absence of monitoring controls increases the potential for asset misappropriation, financial misstatement, the improper use of funds, and unauthorized modification of data.

#### Recommendations

Office Management should segregate conflicting roles and responsibilities within QuickBooks. In addition, Office Management should implement monitoring controls whereby the user activity in QuickBooks is reviewed and evidenced on a regular basis by independent personnel or Management.

#### Management Response

HCSO agrees that there are SOD conflicts; however, we are constrained with the limited number of dedicated staff available. As a mitigating control, in September 2018, we implemented an independent monthly review of system generated audit reports that capture the POs, Payments, and Journal Entries created by each user.

## ISSUES AND RECOMMENDATIONS

### Vendor Master File

#### Background

The Office vendor master file resides in the QuickBooks 2018 Enterprise version application. The vendor master file contains vital information about the Office's vendors, and a vendor must be established in the vendor master file before payments can be issued. Best practices for properly maintaining a vendor master file include:

1. Vendor set-up and maintenance should be limited to authorized individuals that require access as part of their job responsibilities and/or business needs.
2. Appropriate segregation of duties should exist between vendor setup/maintenance and A/P invoice entry.
3. Consistent naming conventions should be applied to vendors.
4. Vendor master file cleanup should be performed on a consistent and regular basis.
5. Management should review reports regarding additions, changes, or deletions to the vendor master file on a regular basis.

#### Issues

The Office does not have adequate controls in place to manage the administration of its vendor master file. Specifically, the following deficiencies were noted:

1. The vendor master file is accessible to Office QuickBooks users who do not require this access as part of their job responsibilities and/or business needs.
2. Vendors can be added to the vendor master file without a secondary level of approval.
3. A periodic review of the vendor master file list is not performed to ensure the validity of all listed vendors.
4. The Office has not established written policies and procedures related to the administration and operation of its vendor master file.

Inadequate process and monitoring controls and not having established written procedures governing the administration and operation of the vendor master file could result in: a) duplicate payments to the same vendor, b) the establishment of false vendors, c) erroneous payments, d) delayed payments and missed discounts, e) the establishment of duplicate vendors, and f) financial loss to the County.

## ISSUES AND RECOMMENDATIONS

### Vendor Master File (Continued)

#### Recommendations

Office Management should improve the process and monitoring controls surrounding the administration and operation of its vendor master file by taking the following actions, respectively:

1. Access to the vendor master file should be restricted to authorized Office QuickBooks users who require access as part of their job responsibilities and/or business needs.
2. Controls should be implemented whereby vendors cannot be added to the vendor master file without a secondary level of approval.
3. A review of the vendor master list should be performed on an annual basis to ensure the validity of all listed vendors. As a part of the annual review, consideration should be given to the inactivation of any vendor not utilized within the three-year period prior to review.
4. Written policies and procedures governing the administration and operation of the vendor master file should be created. Vendor master file policies and procedures should be reviewed at least annually and updated for any necessary changes to the process.

#### Management Response

HCSO will perform research to determine whether the QuickBooks application can restrict the vendor master file to specific users.

QuickBooks does not have the functionality to require two levels of approval within the system prior to the addition of a new vendor or the editing of an existing vendor. As a mitigating control, HCSO has implemented a process whereby the Office Financial Administrator verifies all vendor additions and edits that take place each month. The Financial Administrator electronically compares the previous month vendor master file with the current month vendor master list (vendor name, address, phone number, etc.), and validates all new additions, edits, and exceptions.

In addition, in January 2019, HCSO performed a review of the QuickBooks vendor master list and removed all inactive vendors. HCSO will perform a review of all current vendors and ensure that an associated Form W-9 is on file for each vendor. This vendor master list review will be performed on an annual basis.

Furthermore, written policies and procedures governing the administration and operation of the vendor master file are being created; they will be circulated to all appropriate personnel and reviewed annually.

## ISSUES AND RECOMMENDATIONS

### Record Retention

#### Background

The Contractor utilizes kiosks located within the inmate housing pods to facilitate the ordering process. Each inmate submits a purchase order by entering a unique pin number and password. A pick-ticket invoice (invoice) is printed based upon information entered into the kiosk. Next, the invoice is used to select and bag items for delivery. Delivery personnel initial the invoice and the inmate signs the invoice and provides a thumbprint on the invoice when the purchased items are received. Once signed, the invoice provides evidence that the transaction has occurred.

Pursuant to section 24.A, *Audit Rights*, of the Agreement, “the Contractor shall cooperate to the fullest extent with any and all federal, state, local, or County audits related to this Agreement. The Contractor’s cooperation shall include, but not be limited to access to all books, records, contracts, spreadsheets, correspondence, and documents, in whatever form, that are applicable to this Agreement and requested by any federal, state, local, or County entity that has rights or jurisdiction over any part of this Agreement or the funds applicable to this Agreement.”

Pursuant to section 24.B, *Record Retention*, of the Agreement, “the Contractor agrees to retain within the boundaries of Harris County, for six (6) years after the expiration of this Agreement, all books, records, contracts, spreadsheets, correspondence, and documents applicable to this Agreement. The Contractor will retain and make available, and insert the requisite clause in each applicable subcontract requiring its subcontractors to retain and make available, the books, records, contracts, spreadsheets, correspondence, and documents applicable to this Agreement.”

#### Issue

The Office does not have adequate controls in place to ensure the Contractor complies with the terms and conditions of the Agreement. Specifically, the Agreement requires the Contractor to retain and make available all applicable records associated with the Commissary. However, the Contractor was unable to locate and provide 43 of the 60 (72%) invoices and/or receipts requested for verification.

The inability to provide supporting documentation for sales transactions results in noncompliance with the Agreement. In addition, it impairs operational transparency and the ability to properly account for the related sales transactions, and could result in financial misstatement and/or financial loss of County funds.

#### Recommendation

Office Management should coordinate with the Contractor and determine what actions are necessary to ensure that all invoices are maintained by the vendor and made available in a timely manner when requested.

## ISSUES AND RECOMMENDATIONS

### **Record Retention (Continued)**

#### **Management Response**

Aramark deployed an electronic device that collects an inmate's thumbprint and signature upon the delivery of goods. As such, all sales transaction invoices are now available electronically, and therefore physical records will not have to be obtained from an offsite storage facility. As this new process was fully deployed December 2018, missing records should not be a problem in the future.

## ISSUES AND RECOMMENDATIONS

### Commission Payments

#### Background

Pursuant to section 6.F, *Financial Arrangements*, of the Agreement, “the Contractor shall pay the County a commission in an amount equal to Fifty-Six percent (56%) of Net Sales. At the end of each month, the Contractor shall deliver to the County a check covering commissions on Net Sales made during the month. The Agreement defines "Net Sales" as product sales (excluding all sales of tobacco products, stamps and pre-stamped envelopes, prepaid telephone calling cards or any other telephone sales, debit cards, and indigent products) less sales or use taxes and authorized returns.”

#### Issue

The Office does not have adequate controls in place to ensure that commissions payable for Commissary sales are accurately applied to all qualifying sales. Although the vast majority of commissions were applied correctly, it was noted that commission payments for net sales owed to the County were underpaid by \$673.40. This underpayment was the result of the exclusion of commissions due on ice cream sales for 2 of the 52 (4%) weekly Sales and Commission Reports submitted to the Office.

Underpayment of commissions owed results in noncompliance with the Agreement and financial loss to the County.

#### Recommendations

The Office should coordinate with the Contractor to ensure payments or credits are received for the unpaid commissions of ice-cream sales. In addition, Office Management should improve the review process over Sales and Commission Reports by implementing controls to ensure that sales and associated commissions are accurate.

#### Management Response

HCSO will work with Aramark to ensure that the unpaid commission of \$673.40 are submitted to Harris County. In addition, HCSO has improved controls over commissions payable for Commissary sales by implementing a process whereby all weekly Sales and Commissions Reports have two levels of review, an Office staff member and an Office Management member.

## ISSUES AND RECOMMENDATIONS

### Form W-9

#### Background

Internal Revenue Service (IRS) Form W-9 (Form W-9), *Request for Taxpayer Identification Number and Certification*, is used by individuals and companies to provide their taxpayer identification number and their federal classification (i.e. individual, sole proprietor, C corporation, partnership, etc.) to entities that will pay them income during the tax year. Entities use the Form W-9 during their end-of-year accounting so that they can issue an accurate Form 1099-MISC, *Miscellaneous Income*, to individuals and contractors who have provided services.

Note: Pursuant to the IRS, some payments do not have to be reported on Form 1099-MISC even though they may be taxable to the recipient. Examples for payments that do not have to be reported on Form 1099-MISC generally include: payments to a corporation (including a limited liability company (LLC) that is treated as a C or S corporation); payments for merchandise, telegrams, telephone, freight, storage, and similar items; and payments to a tax-exempt organization including tax-exempt trusts, the United States, a state, the District of Columbia, a U.S. possession, or a foreign government.

Per discussion with Office Management, the Office's Purchasing Division is required to obtain Form W-9 for all new vendors that are added into the QuickBooks vendor master file.

#### Issues

The Office does not have adequate controls in place to ensure that all companies and individuals listed on the Commissary vendor master file have an associated Form W-9. The Office was not able to provide Form W-9 for 13 of the 30 (43%) vendors selected for testing.

A failure to maintain Form W-9 for all vendors could impair the Office's ability to submit Form 1099-MISC to the required individuals and contractors who have provided them certain goods or services as required by the IRS. A failure to submit Form 1099-MISC to the required individuals and contractors would result in noncompliance with IRS regulations, and could result in fines and financial loss to the County.

#### Recommendations

The Office should perform a review of all vendors and ensure that an associated Form W-9 is on file for each vendor.

## ISSUES AND RECOMMENDATIONS

### **Form W-9 (Continued)**

#### **Management Response**

HCSO recognized the need for process improvement related to the collection and tracking of vendor W-9 Forms. As such, in October 2018, we implemented an internal process whereby new vendors cannot be added into the system by the Sheriff's Office Purchasing Department unless they have an associated W-9 that has been review and approved by Office management. As verification that this process is operating effectively, at the end of each month, the Office Financial Administrator traces all new vendors to their associated W-9 stored within a Laserfiche document management system.

In addition, January 2019, HCSO reviewed the commissary vendor master files and removed all inactive vendors. HCSO will perform a review of all current vendors and ensure that an associated Form W-9 is on file for each vendor.

## ISSUES AND RECOMMENDATIONS

### Reconciling Activity

#### Background

Pursuant to the County's Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*, the County Department prepares a monthly County Auditor's Form 324A, *Non-Imprest Bank Account Monthly Reconciliation Report*, or another County Auditor authorized monthly reconciliation report, and performs the following:

- a) Reconciles the bank account's account ledger balance, including any County seeded funds used to open the account, with the bank statement balance.
- b) Reviews the bank statement for NSF (non-sufficient funds) charges and material and/or unusual transactions, investigates each such item, and documents an explanation for each item on the reconciliation form/report or in an attachment.
- c) Documents, tracks, and clears all reconciling items at least within 30 days (one month) following the original bank statement where the reconciling item first appeared. Note: Outstanding checks are not required to be cleared within 30 days.

For example, if the reconciling item appears on the January bank statement, it should be worked/cleared before the February bank reconciliation (i.e., worked/cleared during the calendar month of February). The nature of some reconciling items requires them to be worked/cleared and resolved in a more timely manner.

Additionally, balances recorded in County sub-system ledgers should match associated balances that are recorded in IFAS ledgers.

#### Issues

The Office does not have sufficient controls in place to ensure reconciling items are cleared within 30 days as required by the County's Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*. A review of the August 2017, November 2017, and February 2018 Commissary bank account reconciliations revealed that the Office had 19 reconciling items totaling \$2,113,667.44 that were not cleared within 30 days. Specifically, the items were comprised of deposits not recorded (\$2,117,919.80), voided checks (\$1,717.55), interest earnings not recorded (\$748.94), data entry errors (\$-2,460.70), and other miscellaneous items (\$-4,258.15). It should be noted that 17 of the 19 reconciling items have subsequently cleared. Two items, totaling \$72.18, remain outstanding as of the end of fieldwork. Not addressing reconciling items that are outstanding for more than 30 days results in noncompliance with the County's Accounting Procedure C.10 *Departmental Bank Accounts Non-Imprest*, impairs the Office's ability to detect fraud or errors, and could result in financial misstatement and/or financial loss to the County.

## ISSUES AND RECOMMENDATIONS

### **Reconciling Activity (Continued)**

In addition, the total FY 2018 disbursements recorded in IFAS exceed the total disbursements recorded in QuickBooks by \$25,317.58. Unreconciled balances between IFAS and the Office's Commissary financial system could result in misappropriation of County funds or financial misstatement.

### **Recommendations**

Office Management should implement a process whereby all bank account reconciling items are worked/cleared within 30 days as required by County Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*.

The Office should perform a reconciliation between IFAS and QuickBooks and identify the source and root cause of the \$25,317.58 difference. Once identified, necessary adjusting entries should be made. Furthermore, improvements should be made to the monthly reconciliation process between IFAS and QuickBooks to ensure that necessary corrections are made on a monthly basis.

### **Management Response**

HCSO will request bank reconciliations from the Auditor's Office Revenue Accounting Department on a monthly basis to assist in identifying and clearing reconciling items in a more timely manner.

In addition, HCSO will perform a reconciliation between IFAS and QuickBooks in order to identify the root cause of the variance noted above. We will coordinate our efforts with the Auditor's Office Financial Accounting Department as QuickBooks data is submitted to the Auditor's Office for entry into IFAS each month.

# ISSUES AND RECOMMENDATIONS

## Verification of QuickBooks Data

### Background

Commissary expenditures are recorded in QuickBooks by an Office Accounts Payable Analyst. On a bi-weekly basis, a check run is completed for all invoices and requests for payment received and approved by the Office. On a monthly basis, the Office generates a QuickBooks summary report detailing all disbursements recorded and paid during the month. This report is forwarded to the County Auditor's Office Financial Accounting Department (Financial Accounting) and is used to update the applicable general ledger accounts in IFAS. Office Management does not review the QuickBooks data prior to submission to Financial Accounting.

Financial data should be accurate and reliable in order to facilitate management decision making. Performing a review and analysis of financial data is necessary to ensure accuracy and reliability.

### Issues

The Office does not have monitoring controls in place to ensure the accuracy and completeness of disbursements entered into QuickBooks prior to payment. In addition, Office Management does not review QuickBooks disbursement summary reports prior to submission to Financial Accounting.

A failure to review disbursement data recorded in QuickBooks could lead to inaccurate or unsupported payments, and financial misstatement.

### Recommendations

Office Management should implement monitoring controls to ensure that QuickBooks disbursement entries are reviewed and approved prior to payment.

All disbursement summary reports should be reviewed and approved by Office Management prior to submitting the reports to Financial Accounting for entry into IFAS.

### Management Response

HCSO recognizes the need for stronger controls, so we implemented a monitoring process whereby all invoices entered into QuickBooks are reviewed by an independent person prior to payment.

In addition, we implemented an independent monthly review of system generated audit reports that captures POs, Payments, and Journal Entries created by each QuickBooks user. We will perform research to determine whether disbursement summary reports can be included as a part of this monthly review process.

## ISSUES AND RECOMMENDATIONS

### Commissary Menu Price Lists

#### Background

Pursuant to the Agreement, the Office shall determine the prices at which Commissary products shall be sold. The Contractor may only change Commissary products and prices with prior written approval from the Office.

#### Issue

The Office does not have sufficient controls to ensure that all Commissary product and price changes are reviewed and approved. Specifically, the following Commissary menu changes were made without Office Management approval: 13 products were removed from the menu; 23 products were added to the menu; 8 changes in bundle quantity per item; and 7 product sales prices were changed.

Not having sufficient controls in place to ensure all Commissary product and price changes are reviewed and approved has resulted in noncompliance with the Agreement, and could result in financial loss to the County. This issue has been reported in a prior year audit report.

#### Recommendations

The Office should improve Commissary menu controls by reviewing and approving the Commissary product menu and price listing on a monthly basis.

The Office should periodically review a sample of Commissary sales invoices to ensure only authorized products are sold at the authorized amount.

#### Management Response

HCSO agrees that Aramark may only change products and prices with prior written approval from HCSO. We received positive confirmation from Aramark's Commissary Manager and Finance Director that menu or price changes will not be made without HCSO written approval. HCSO will review and approve the commissary product menu and price listing on a monthly basis.

In addition, HCSO will periodically review a sample of Commissary sales invoices to ensure only authorized products are sold at the authorized amount.

## ISSUES AND RECOMMENDATIONS

### **Backup Administrator - QuickBooks**

#### **Background**

The Office is using QuickBooks 2018 Enterprise version to track financial information related to the disbursement of Commissary funds. QuickBooks comes with a default "Admin" privileged account that is used by the designated system administrator to add or remove a user from the system, reset user passwords, and to perform various other functions.

Pursuant to COBIT, the best practice is to minimize reliance on a single individual performing a critical job function through performance of the following: documentation, knowledge sharing, succession planning, or staff backup.

#### **Issue**

The Office does not have a backup for the QuickBooks primary system administrator. Without a backup system administrator, there is limited assurance that system administrative functions will be accomplished in the case of unexpected personnel turnover, personal unavailability, or other unforeseen circumstances.

#### **Recommendation**

Office Management should assign and train a user with the "Admin" role as a backup system administrator for the QuickBooks application.

#### **Management Response**

HCSO assigned a backup Administrator with full access in January of 2019.

## ISSUES AND RECOMMENDATIONS

### **Information Technology Disaster Recovery/Business Continuity**

#### **Background**

An IT Disaster Recovery/Business Continuity Plan enables the recovery and continuation of vital technology infrastructure and systems following a natural or human induced disaster. Per the COBIT IT framework, designing, implementing, testing, and maintaining the disaster recovery and business continuity plans on a regular basis will allow for a more efficient and timely restoration and resumption of computer-based operations should a natural or human induced disaster occur.

#### **Issue**

The Office does not have a documented IT Disaster Recovery/Business Continuity Plan. Per Office Management, restoration testing of backup data for neither QuickBooks nor CORE has been performed with Universal Services (US). As such, should a natural or human induced disaster occur, financial and/or operational data loss could occur, and Office Management may not be able to timely and efficiently recover the Commissary operations.

#### **Recommendation**

Office Management should document an IT Disaster Recovery/Business Continuity Plan, and conduct a disaster recovery test in conjunction with US on a periodic basis to reduce the risk of financial and/or operational loss in the event of a disaster.

#### **Management Response**

HCSO has been working with US to develop an IT Disaster Recovery/Business Continuity Plan to reduce the risk of financial and/or operational loss in the event of a disaster.

## ISSUES AND RECOMMENDATIONS

### **Authorization of Bank Reconciliations**

#### **Background**

Pursuant to County Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*, the County Department is required to prepare a monthly County Auditor's Form 324A, *Non-Imprest Bank Account Monthly Reconciliation Report*, and a monthly County Auditor's Form 324C, *Bank Account Monthly Summary Report*. Both reports are required to be signed by the Preparer (Department Accountant) and the Reviewer (Department Supervisor), and forwarded to Revenue Accounting (Form 324A by the 20th calendar day of the month following a month-end close and Form 324C by the 5th calendar day of the month following a month-end close).

Note: Other authorized monthly reconciliation reports can be used.

#### **Issue**

The Office Bank Reconciliation Forms 324A and 324C are not reviewed and approved by the Office Departmental Supervisor as required by County Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*. The August 2017, November 2017, and February 2018 Sherriff's Office Bank Reconciliation Forms 324A and 324C, for the Commissary bank account, were prepared and authorized (signed) by the Department's Accountant, but not authorized by the Department's Supervisor.

Lack of documented approval by the Department's Supervisor results in noncompliance with the County's Accounting Procedure C.10, *Departmental Bank Accounts Non-Imprest*, and could result in financial misstatement and/or financial loss to the County.

#### **Recommendation**

Office Management should ensure that all Office Bank Reconciliation Report Forms (324A and Form 324C) are authorized by the report Preparer and the report Reviewer, as evidenced by their signatures, as required by County Accounting Procedure C.10.

#### **Management Response**

HCSO agrees that all Sherriff's Office Bank Reconciliation Report Forms (324A and Form 324C) should be authorized by the form Preparer and the form Reviewer. As of October 2018, all bank reconciliation forms are reviewed and approved by the Office Financial Administrator after they have been signed by the form Preparer.