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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

February 23, 2024

Dear Sheriff Ed Gonzalez:

The Harris County Auditor's Office Audit Division has completed an audit of the Inmate Food Services Agreement (Agreement) between Harris County and Aramark Correctional Services, LLC (Contractor). 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 Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is written in a cursive style with a long horizontal stroke at the end.

Michael Post
County Auditor

Report Copies:

District Judges
County Judge Lina Hidalgo

Commissioners:

Lesley Briones
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee



INTERNAL AUDIT REPORT
**SHERIFF'S OFFICE INMATE FOOD
SERVICES AGREEMENT**

FEBRUARY 23, 2024

Executive Summary

OVERALL CONCLUSION

The overall controls related to the Inmate Food Services processes were found to be effective. However, the Harris County Sheriff's Office (Sheriff's Office) did not deposit payments received from the Contractor in a timely manner. The issue was discussed with Sheriff's Office executive management, and a management action plan has been developed which will address the issue identified by March 31, 2024.

SCOPE AND OBJECTIVE

The audit procedures tested controls over the Inmate Food Services processes for the period of September 25, 2022, through May 31, 2023. The objectives of this engagement were to determine whether:

- Inmate food services and contingent labor payments were made to the Contractor in accordance with the Agreement, and payments were properly authorized and accurately recorded.
- Officer salary reimbursement and kitchen usage fee payments were made to the County in accordance with the Agreement, and payments were deposited timely and accurately recorded.
- The Contractor complied with the performance bond and insurance coverage terms of the Agreement.
- The Contractor complied with the capital renewal investment terms of the Agreement.

SUMMARY OF AUDIT ISSUE

Salary reimbursement and kitchen usage fee payments received from the Contractor were not deposited timely by the Sheriff's Office.

The audit issue, management's action plan to address the issue, and background information regarding this audit are discussed in more detail on the following pages. The audit issue is ranked based upon the likelihood and impact of the risk to the department.

AUDIT ISSUE

ISSUE: Untimely Deposit of Salary Reimbursement and Kitchen Usage Fee Checks [MODERATE]

What is the Issue: Eighteen salary reimbursement and kitchen usage fee checks totaling \$1,288,884 received during the audit scope period were deposited six or more business days after receipt.

Why it Happened: There are no monitoring controls to ensure the timely deposit of checks received and Sherriff's Office management does not require the Contractor to utilize direct deposit. In addition, checks received by Sherriff's Office staff members are not time-date stamped or logged for tracking purposes.

Why it Matters: Untimely deposits have resulted in non-compliance with Texas Local Government Code (LGC) 113.022(a) and could lead to misappropriation of funds and/or financial misstatement.

What is Expected: LGC 113.022(a) requires all funds received to be deposited within 5 business days of receipt.

What Action(s) are Suggested: Management should utilize direct deposit or implement monitoring controls to ensure checks received are deposited timely. If direct deposit is not utilized, controls should include time-date stamping and logging each check received. The person receiving checks should be independent of any record keeping or expense authorization duties as required by the County Auditor's Office Internal Control Manual.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham, Director of Finance, HCSO

HCSO agrees that timely deposit of Salary Reimbursement and Kitchen Usage Fee checks is important. Immediate action will be taken to ensure an HCSO staff member who is independent of record keeping or expense authorization duties time stamps and logs incoming checks and deposits them within 5 business days. Furthermore, HCSO will begin working with the County Auditors and the vendor to set up direct deposit of checks.

Due Date: March 31, 2024



BACKGROUND

Texas Government Code Section 501.003, *Inmate Welfare - Food*, states that “The department shall ensure that inmates housed in facilities operated by the department are fed good and wholesome food, prepared under sanitary conditions, and provided in sufficient quantity and reasonable variety. The department shall hold employees charged with preparing food for inmates strictly to account for a failure to carry out this section. The department shall provide for the training of inmates as cooks so that food for inmates may be properly prepared.”

The Harris County Sheriff’s Office contracted with Aramark Correctional Services, LLC (Contractor) on September 26, 2017, to provide meals to inmates at numerous Harris County incarceration facilities. These facilities are contained within three Sheriff’s Office bureaus:

1. 1200 Justice Housing Bureau: This bureau includes the Joint Processing Center and the jail facility at 1200 Baker Street.
2. 701 Justice Housing Bureau: This bureau includes jail facilities at 701 N. San Jacinto, 711 N. San Jacinto and 1307 Baker Street.
3. Justice Management Bureau: This bureau oversees the safe, secure, and efficient intake processing operations at the Joint Processing Center.

Harris County pays Aramark for each meal served to the inmates in accordance with the pricing metrics defined in the Agreement. The Agreement pricing and amendments are as follows:

Aramark Contract Date	Contract Amount per Year	Contract Details
September 26, 2017	\$ 9,044,784	Original contract allowed for two 5-year renewals
November 10, 2020	\$ 12,076,182	Price increase due to the COVID-19 pandemic
October 11, 2022	\$ 20,000,000	Renewed for additional 5-year period
January 31, 2023	Did not increase the total funding	Adjusted prices charged per meal, disposable good costs, and contingent labor costs

Aramark serves meals to approximately 8,300 inmates or residents daily that are housed at six Houston area detention and rehab centers. Per the Agreement, Harris County receives a commission of \$0.25 for every meal that is produced out of any Harris County kitchen and served to outside parties. During the audit scope period, Harris County received approximately \$240,000 in kitchen usage fees.

The Agreement requires Aramark to reimburse Harris County \$1,558,356 each year for the salaries and benefits of twenty detention officers and one sergeant, as these officers supervise the commissary inmate workers. In addition, the Agreement requires the Contractor to make capital investment improvements to the kitchen and Officer’s dining room during each 5-year contract period. Specifically, the first 5-year period required a \$750,000 capital investment improvement, and the following two 5-year renewal periods each require a \$200,000 capital investment improvement.

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement’s scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official 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.

