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

March 28, 2022

Dear Sheriff Gonzalez:

The Harris County Auditor's Office Audit Division has completed an audit of the Sheriff's Jail Commissary for the 12 months ended February 28, 2021. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. Please anticipate an email request to complete the Audit Division's 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".

Michael Post  
County Auditor

Report Copies:

District Judges  
County Judge Lina Hidalgo  
Commissioners:  
R. Jack Cagle  
Rodney Ellis  
Adrian Garcia  
Tom Ramsey  
Christian Menefee

AUDIT REPORT  
**SHERIFF'S JAIL COMMISSARY FISCAL YEAR 2021**  
MARCH 28, 2022

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## Executive Summary

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### OVERALL CONCLUSION

Based on the procedures performed in accordance with Local Government Code (LGC) Section 351.0415, commissary sales were appropriately deducted from the respective inmates' trust accounts and commissary funds were used to make allowable purchases. Furthermore, the Sheriff's Office has a written commissary plan that has been approved by the Texas Commission on Jail Standards (Commission) as required by Texas Administrative Code (TAC) Title 37, Part 9, Rule §291.3 (Title 37). However, we did identify opportunities for improving controls related to commission payments owed to the Sheriff's Office and the timely deposit of checks. These issues were discussed with the Sheriff's Office and management action plans have been developed, which will address the issues identified by June 1, 2022.

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### SCOPE AND OBJECTIVE

The objectives of this engagement were to determine whether:

- Users have appropriate access rights and privileges in the Commissary's financial system (QuickBooks).
- Bank reconciliations are timely and accurately prepared, and reconciling items are resolved timely (on a sample basis).
- Disbursements were in compliance with LGC 351.0415 and were properly authorized, supported, and accurately recorded in the Commissary System and the Harris County's (County) financial records (on a sample basis).
- Sales were accurately recorded in the Commissary system (on a sample basis).
- Payments to the County were in accordance with the Agreement between the Sheriff's Office and Aramark Correctional Services (Contractor), and were properly received, recorded, and deposited timely by the County.
- The Contractor complied with the performance bond and insurance coverage terms of the Agreement.
- A written Inmate Commissary Plan has been approved by the Commission.

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### SUMMARY OF AUDIT ISSUES

1. The Sheriff's Office does not have adequate accounts receivable processes and procedures in place for commissions owed.
2. Commission and payroll reimbursement checks received by the Sheriff's Office were not deposited timely.

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

## AUDIT ISSUES

### **ISSUE #1: Sheriff's Office Accounts Receivable Function Needs Improvement** **[HIGH]**

**What is the Issue:** The Sheriff's Office does not have adequate accounts receivable processes and procedures in place for monitoring and collecting commissions owed. The following items were noted:

1. Commission payment tracking, receiving, and depositing is performed by one person.
2. The Sheriff's Office does not invoice the Contractor for commissions due.

It should be noted that this issue was also identified in the FY2020 and FY2019 Sheriff Jail Commissary engagements.

**Why it Happened:** Per management, staffing limitations do not allow the Sheriff's Office to have a fully staffed accounts receivable team.

**Why it Matters:** As of the end of FY 2021, an analysis performed by the Audit Division determined that \$759,304 of past due commissions were owed to the Sheriff's Office and had not been received. The commissions owed consist of a roll forward balance that can be traced back to the first year of the Agreement between the Contractor and the County on, March 1, 2016.

As a new Contractor will begin conducting commissary operations in April 2022, the outstanding balance should be collected as soon as possible.

**What is Expected:** County Auditor's Accounting Procedure A.1, *Cash Handling Guidelines*, states that employees who accept payments should not be the same employees who balance receipts or deposit the revenue collected.

Government Finance Officers Association billings and collection best practices require billing for owed revenue to be performed in a timely manner.

**What Action(s) are Suggested:** The Sheriff's Office is in the process of transferring the function of billing and tracking receivables to the County Auditor's Office Accounts Receivable Department. Upon completing this transfer process, a reconciliation of payments received from the Contractor to the Sales and Commissions reports provided by the Contractor should be performed. The Contractor should then be billed for all outstanding commissions owed.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Shaun Jernagin

The Sheriff's Office has been working with the Auditor's Office on moving the billing and receivable functions since the last audit, however when the contract went out to bid and was awarded to a different vendor this action could not be completed. We are transitioning to the new vendor on April 1<sup>st</sup> 2022, once this is complete we'll continue with the plan to transition the billing and tracking of receivables to the Auditor's Office.

If we are unable to hand over these functions due to the subsystem being maintained on Sheriff's Office servers we will move to a billing process as described in the suggested actions.

**Due Date:** 06/01/2022

## **ISSUE #2: Untimely Deposit of Commission and Payroll Reimbursements**

**[HIGH]**

**What is the Issue:** Fifty-one of 66 (77%) Contractor commission and payroll reimbursement checks totaling \$4,762,530 were not deposited timely.

**Why it Happened:** There are no monitoring controls to ensure timely deposit of checks and management does not require the Contractor to utilize direct deposit.

**Why it Matters:** Untimely deposits have resulted in non-compliance with 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.

**What Action(s) are Suggested:** Management should implement monitoring controls to ensure timely deposits or require the Contractor to utilize direct deposit.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Shaun Jernagin

The Sheriff's Office had been working with the Auditor's Office on moving the vendor to ACH payments, however, when the contract went out to bid and was awarded to a different vendor this action could not be completed.

The new vendor has been set up with ACH payments and is scheduled to go live on April 1<sup>st</sup>, 2022.

**Due Date:** 4/1/2022

## BACKGROUND

The Harris County Sheriff's Office operates the following four downtown jail locations: A) 1200 Baker Street, B) 701 San Jacinto Street, C) 1307 Baker Street, and D) 700 N. San Jacinto Street. On March 1, 2016, the Sheriff's Office entered into an agreement whereby the Contractor would provide commissary services for the 4 jail locations.

### Attorney General Opinion

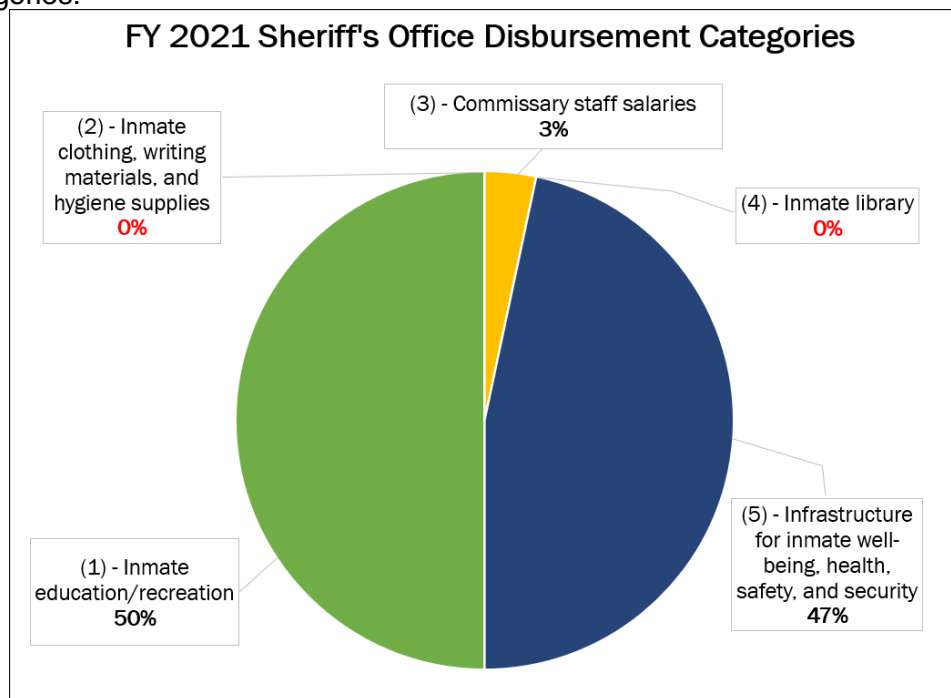
On December 22, 2011, the Attorney General of Texas issued Opinion No. GA-0901. The summary information states, "A county sheriff controls the county jail Commissary Fund, and as a result, the sheriff must make the initial determination, subject to judicial review, as to whether proceeds from the fund 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 the inmates;
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.

### Fiscal Year 2021 Sheriff Jail Commissary Disbursements

In Fiscal Year 2021 the Sheriff's Office disbursed a total of \$4.8 million from the commissary fund. A sample of 30 was selected, totaling approximately \$291,000, to determine compliance with LGC Section 351.0415. All 30 disbursements were deemed allowable expenditures and were disbursed by the following categories:



The table below summarizes the total payments by Payee from the Sheriff's Office Commissary Check Register for Fiscal Year 2021.

Check Register for Period Between 03/01/2020 - 02/28/2021	
Payee	Payment
Harris Center for Mental Health and IDD	\$976,093
Aramark	\$853,474
HSCO Employee Salaries for Commissary	\$786,705
Bob Barker Company Inc.	\$343,011
Sum of Suppliers Who Received < \$30K	\$301,245
Agiliti Health, Inc.	\$219,992
Virence Health Technologies	\$133,183
A-1 Personnel	\$100,480
Houston Chronicle	\$99,644
Texas Correctional Industries	\$86,520
Uptodate, Inc.	\$83,127
Pacific Concepts	\$71,280
Victory Supply LLC	\$64,613
CML Security	\$63,868
Precision Dynamics Corporation (PDC)	\$62,369
Natasha E. Young	\$60,495
Matheson Tri-Gas	\$59,047
Erma Jefferson	\$57,890
Eduardo Perez	\$57,290
John Downs	\$57,213
Wellspring Family & Community Institute	\$51,384
Evergreen Quality Inc.	\$43,584
The University of Texas at Austin	\$42,916
BDM Healthware, Inc.	\$39,657
Fujifilm Medical Systems USA, Inc.	\$39,267
I C S Jail Supplies Inc.	\$36,120
Silsbee Ford	\$33,917
<b>Total</b>	<b>\$4,824,384</b>

## 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 work performed required our staff to exercise professional judgment in completing the engagement’s scope. 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.