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

November 18, 2022

Dear Sheriff Gonzalez:

The Harris County Auditor's Office Audit Division has completed an audit of the Sheriff's Jail Commissary. 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 fluid and cursive, with a long horizontal stroke at the end.

Michael Post
County Auditor

Report Copies:

District Judges

County Judge Lina Hidalgo

Commissioners:

R. Jack Cagle

Rodney Ellis

Adrian Garcia

Tom Ramsey

Christian Menefee



INTERNAL AUDIT REPORT
SHERIFF'S JAIL COMMISSARY FISCAL YEAR 2022
NOVEMBER 18, 2022

Executive Summary

OVERALL CONCLUSION

Our audit confirmed purchases made with commissary funds complied with Local Government Code (LGC) Section 351.0415(c), and bank reconciliations were performed timely and accurately prepared. In addition, the Harris County Sheriff's Office (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. However, we did identify an opportunity to improve controls related to commissary sales reimbursement payments made from the inmate trust fund account. The issue was discussed with management, and an action plan has been developed, which will address the issue identified by December 31, 2022.

SCOPE AND OBJECTIVE

As required by LGC Section 351.0415(d), the Audit Division conducted an audit of the Sheriff's Jail Commissary for the 12 months ended, February 28, 2022. The objectives of the engagement were to determine whether:

- Only active employees had user access rights and privileges in the commissary financial system (QuickBooks).
- Bank account reconciliations were timely and accurately prepared, and reconciling items were timely resolved (on a sample basis).
- Disbursements complied with LGC 351.0415(c) and were properly authorized, supported, and accurately recorded in QuickBooks and the County's financial records (on a sample basis).
- Sales were accurately recorded in Aramark Correctional Services' (Contractor) CORE system (on a sample basis).
- Contractor payments to the County were made in accordance with the Commissary Agreement, and payments were properly received, recorded, and deposited timely.
- The Contractor complied with the performance bond and insurance coverage terms of the Commissary Agreement.
- A written inmate commissary plan has been approved by the Commission.

SUMMARY OF AUDIT ISSUE

- The Sheriff's Office overpaid the Contractor for commissary sales.

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 on the likelihood and impact of the risk to Harris County Sheriff's Office.

AUDIT ISSUE

ISSUE #1: Overpayment of Commissary Sales Reimbursements [MODERATE]

What is the Issue: Sales reimbursement payments made to the Contractor from the Harris County inmate trust fund account exceeded the amount invoiced by \$23,543. The overpayment was a result of errors on two of the 12 (17%) reimbursement checks paid from March 1, 2021, through February 28, 2022.

Why it Happened: The Sheriff's Office Contractor invoice payment process is manual, and they do not have a monitoring control to review and approve commissary sales reimbursement checks before they are issued.

Why it Matters: Failure to review and approve commissary sales reimbursements prior to issuance increases the risk that payment errors will not be detected. This oversight results in a shortage in the inmate trust fund account.

What is Expected: The Commissary Agreement requires the Contractor to submit invoices to the Sheriff's Office for reimbursement of all inmate commissary sales. In accordance with best practices, invoice payments should not exceed the amounts listed on these invoices.

The County's Internal Control Manual states that management is responsible for the establishment of internal control processes, including proper documentation and enforcing adherence to the established controls.

What Action(s) are Suggested: The Sheriff's Office should work with the Contractor to recover the overpaid funds. In addition, the Sheriff's Office should develop a monitoring control to include an independent review and approval of commissary sales reimbursements prior to issuance.

MANAGEMENT'S ACTION PLAN

Responsible Party: Shaun Jernagin

To strengthen internal controls, we will add a second reviewer to the process to ensure accuracy of the sales reimbursement checks.

We have been working with Aramark to recover the overpayments, but they have a policy that prevents them from issuing payments to vendors that have outstanding debt. HCSO had two invoices that needed to be cleared in order for payment to be released. We have since processed both invoices and once the payment clears Aramark will return the overpayment.

Due Date: December 31, 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 to the four 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."

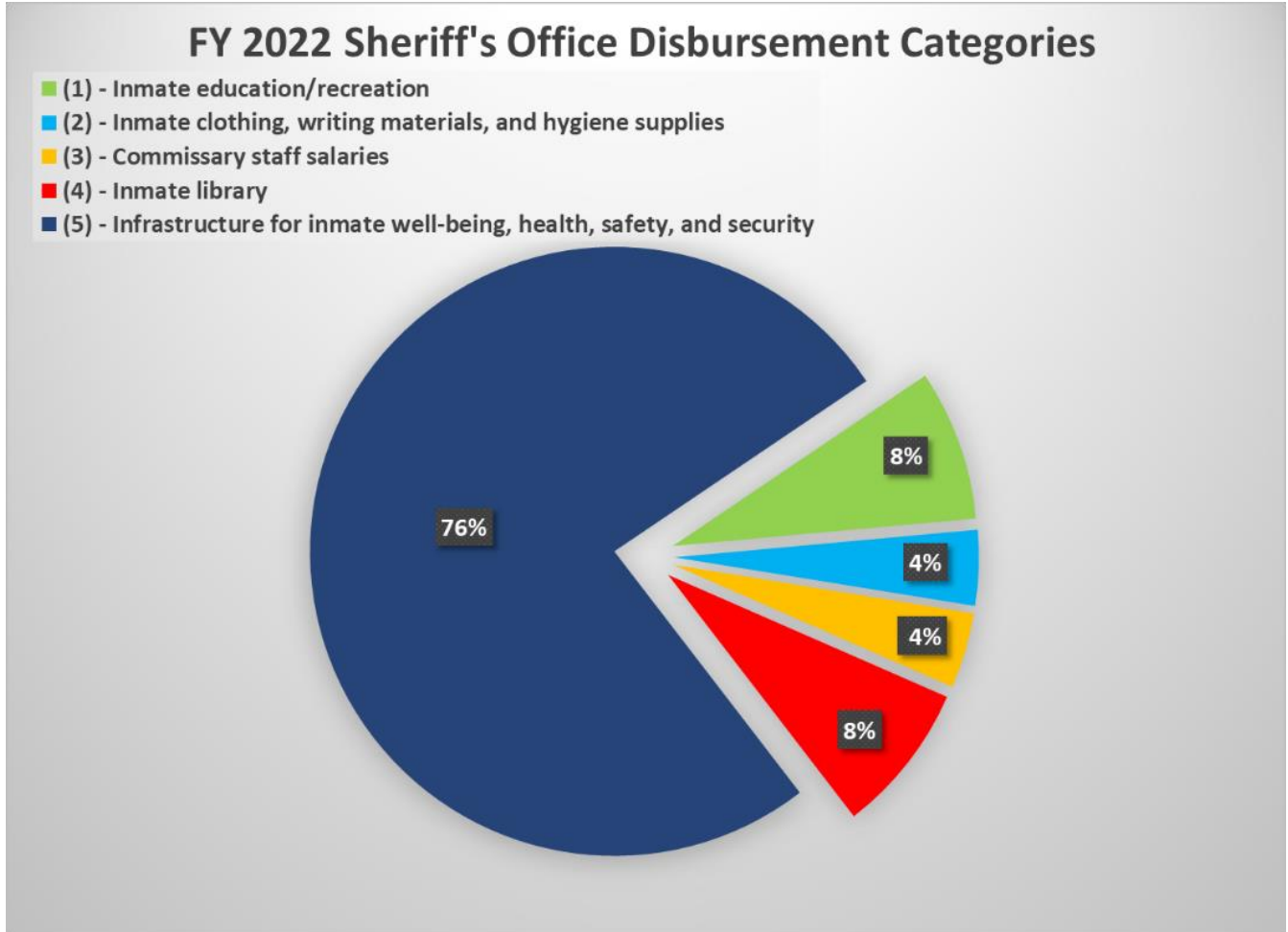
The five purposes are as follows:

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.

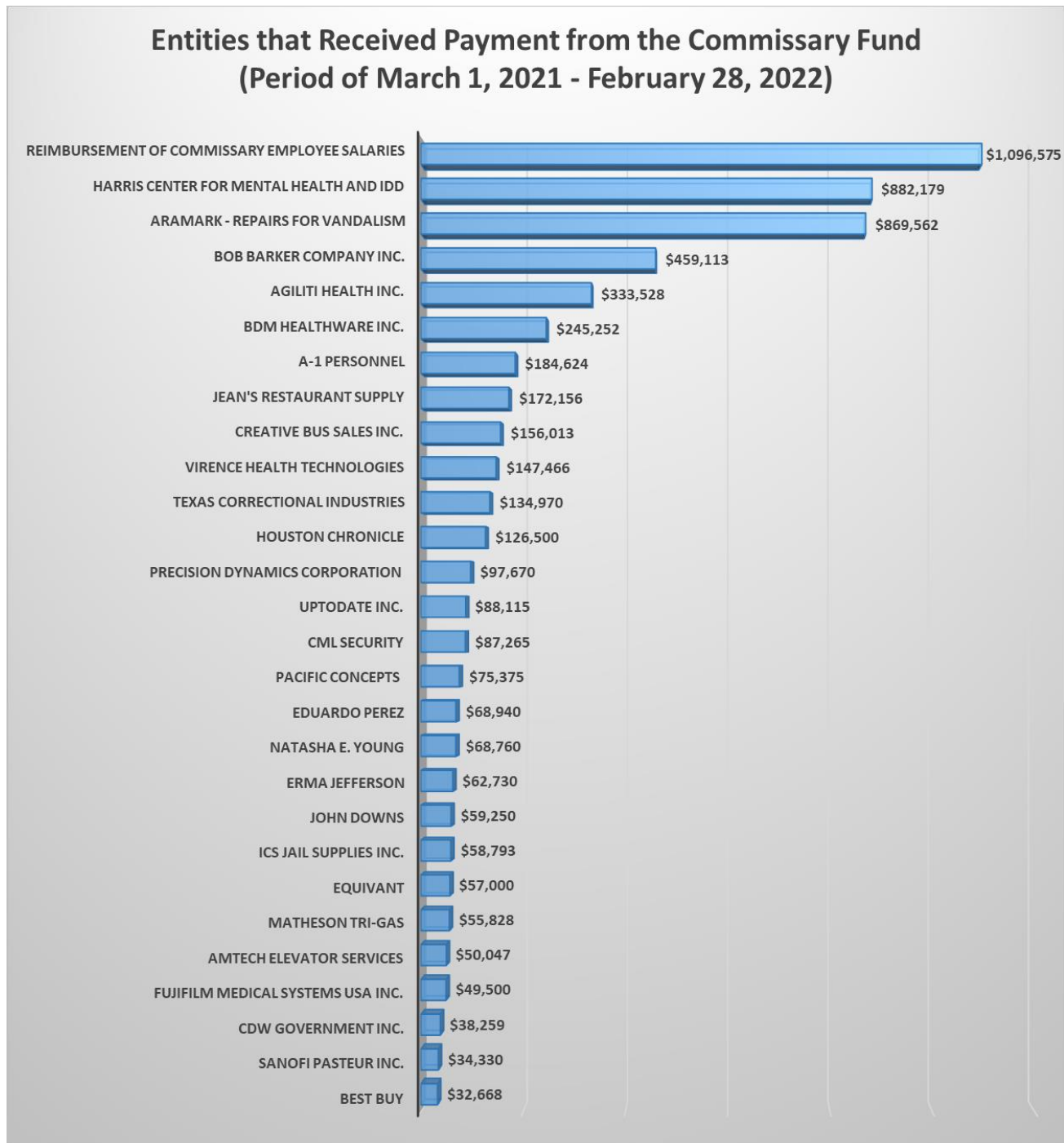


Fiscal Year 2022 Sheriff's Jail Commissary Disbursements

The Sheriff's Office disbursed approximately \$6.8 million from the commissary fund for the 12 months ended, February 28, 2022. A sample of 25 disbursements, totaling approximately \$491,000, were selected to determine compliance with LGC Section 351.0415(c). All were deemed allowable expenditures and were disbursed by the following categories:



The table below summarizes the total payments by vendor from the Sheriff's Office commissary check register for the 12 months ended, February 28, 2022. Entities that received less than \$25,000 were not included on the chart.



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

