



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#125420

PAGE 1 OF 9

DATE: 06/20/2017

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE SHERIFF'S
OFFICE EXIT REVIEW**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Sheriff's Office Exit Review.

BACKGROUND:

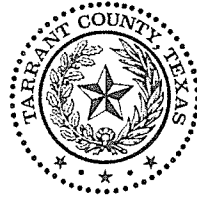
Sheriff Dee Anderson's term expired on December 31, 2016, and his successor, the Honorable Bill Waybourn, assumed office on January 1, 2017. The Auditor's Office conducted procedures to provide accountability for the transfer of authority to the new Sheriff. These procedures included the verification of cash and other receipts, fiduciary fund balances, seized and acquired property, federal and state reporting requirements, and County assets assigned to the Sheriff. The Auditor's Office review was limited in scope due to the manual nature of the inventory process and the lack of historical data recorded in Dbase, the system used to record money to the inmate trust accounts.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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May 23, 2017

The Honorable Bill Waybourn, Tarrant County Sheriff
The Honorable District Judges of Tarrant County
The Honorable Tarrant County Commissioners Court

Re: Auditor's Report – Exit Review of the Sheriff's Office

SUMMARY

Sheriff Dee Anderson's term expired on December 31, 2016, and his successor, the Honorable Bill Waybourn, assumed office on January 1, 2017. The Auditor's Office conducted procedures to provide accountability for the transfer of authority to the new Sheriff. These procedures included the verification of cash and other receipts, fiduciary fund balances, seized and acquired property, federal and state reporting requirements, and County assets assigned to the Sheriff. Our review was limited in scope due to the manual nature of the inventory process and the lack of historical data recorded in Dbase, the system used to record money to the inmate trust accounts. While we did not observe any missing funds, we believe that a significant material weakness exists and, therefore, we offer no assurance that all funds were accurately recorded and deposited into the Sheriff's bank account.

In collaboration with the Purchasing Department, the Sheriff's Office issued a Request for Proposal for Inmate Commissary Services, Inmate Banking Services, Deposit/Release Services and Optional Value Added Technology. The vendor proposals are due June 26, 2017. We recommend that the contract terms for the selected vendor require 1) adequate financial controls to mitigate the risk of loss of funds, and 2) historical financial data.

Based on the results of our testing, the transfer of authority to the new Sheriff appears to be complete. However, we observed the following conditions that require management's attention.

- Observation 1 Controls over financial transactions are not adequate.
- Observation 2 Staff did not comply with certain Standard Operating Procedures.
- Observation 3 Procedures to record, monitor, and report Chapter 59.06 assets are not adequate.
- Observation 4 Donations were not accepted by Commissioners Court as required by statute.

Prior to issuance of this report, the Auditor's Office was notified that the lead Confinement Money Room officer resigned without notice as of May 5, 2017. This individual also prepared the monthly reports for the Auditor's Office. On May 22, 2017, the Sheriff's Office requested that we assist them in completing the April financial reports due to the Auditor's Office on June 10, 2017 for preparation of the County's monthly financial statements. The loss of an experienced staff person, along with the lack of knowledge transfer and cross-training, poses additional financial risks within the Confinement Money Room.

We discussed the observations with management on June 13, 2017. Attached is a written response.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Controls over financial transactions are not adequate.

Background

The Sheriff's Office has three separate bank accounts related to the Confinement Money Room, Bond Desk, and Accounting. To reduce the risk of loss, best practices recommend that bank deposits be made daily. Local Government Code 113.022 and Code of Criminal Procedure 103.004 state that a county officer who receives money "*shall*" deposit the money with the *county treasurer* on or before the next business day after the money is received. The Tarrant County Auditor has the role of treasurer. The statutes also state that if this deadline cannot be met, then money must be deposited no later than the 5th business day after the day the money is received.

During FY2016, approximately \$5.9 million was accepted and recorded by the Confinement Money Room officers. During our review period of October through December 2016, approximately \$1.5 million was accepted and recorded to the inmate trust accounts.

Observations

Controls over financial transactions, particularly cash collected by Confinement Money Room officers, are not adequate. Since Dbase does not provide a history of inmate trust account transactions and only shows ending balances, along with the departure of the lead Confinement Money Room officer, we believe a *significant material weakness* exists for theft or loss of funds.

During the period of October through December 2016, we specifically observed the following:

1. Segregation of duties does not exist among Confinement Money Room officers for various financial transactions recorded to the inmate trust accounts. Specifically:
 - a. Ten Confinement Money Room officers have the ability to collect, void, open, close, and edit inmate trust information.
 - b. Four of 104 voids processed by a Confinement Money Room officer were performed by the same officer that receipted the payment. There was no evidence of an independent review of the voided transactions.

Furthermore, some of these same officers perform the monthly bank reconciliation and financial reports for the Auditor's Office.

2. Four officers have access to Dbase although they no longer work for the County or in the Confinement Money Room.
3. Cash held in the safe located in the Confinement Money Room is excessive. The amount of ending cash secured *daily* in the safe totaled more than \$24,000. The maximum amount paid to inmates during a single day was \$10,931.52. The next highest amount paid during a given day to inmates totaled \$8,200.48.
4. Standard Operating Procedures do not exist related to cash overages and shortages, counterfeit currency, voids, and other general cash handling. Furthermore, current procedures related to recording cash overages and shortages do not comply with Criminal District Attorney Opinion #99-OP-107. Instead of depositing overages with the Auditor's Office, the Confinement Money Room officers record overages, including money found, into a "dummy inmate account." Although the opinion states that the elected official is responsible for cash shortages, the cash shortages are recorded in the same dummy inmate account and netted against the cash overages. As of December 31, 2016, the dummy inmate account had a balance of \$113.10.

Also, the Confinement Money Room account has an \$85.05 shortage that remains outstanding due to recording money orders incorrectly. The Accounting account continues to have two reconciling items due to the receipt of a \$20.00 counterfeit bill and a \$0.20 overpayment. The reconciling items have been outstanding since 2011.

The Auditor's Office previously reported observations related to the lack of controls over inmate property, including cash, in June 2012 and October 2015.

We also observed that deposits made by the Bond Desk and the Livestock Estray Enforcement to the Auditor's Office did not always comply with Local Government Code 113.022 and Code of Criminal Procedure 103.004. Of the 67 deposits made to the Auditor's Office, 45 deposits totaling approximately \$70,400 were not deposited by the 5th business day after the day the money was collected as required by statutes.

Recommendations

To improve controls over financial transactions, we recommend the following:

1. Until a new software system is implemented, system changes should be made to Dbase that prevent officers from having complete control over the financial transaction cycle, including voiding their own transactions. If this isn't possible, then a system report should be generated and reviewed by management to verify the accuracy of voided transactions. We also recommend that someone independent of the staff that collect and record funds perform the monthly bank reconciliation and prepare the financial reports submitted to the Auditor's Office. For example, this independent individual could be someone from the Sheriff's Accounting Office.

2. Access to Dbase should be immediately disabled for those employees who no longer work in the Confinement Money Room and/or for Tarrant County.
3. The Sheriff's Office should re-evaluate the amount of day-to-day cash held in the Confinement Money Room safe. The amount held in the safe should correlate with the daily amount paid to released inmates.
4. The Sheriff's Office should establish Standard Operating Procedures related to cash overages and shortages, counterfeit currency, voids, and other general cash handling. These documented procedures should require that overages be remitted to the Auditor's Office for deposit and any cash shortages should be made whole as stated by the Criminal District Attorney's opinion.

Last, management should ensure that funds are deposited within five business days after receipt of the funds as required by statutes.

Observation 2 Staff did not comply with certain Standard Operating Procedures.

Background

The Inmate Property Record lists the currency, checks, other property deemed valuable, and clothing obtained from an inmate during the booking process. The Sheriff's Standard Operating Procedures require that the inmate and the officer sign the form during the booking process. Upon release, the inmate and the releasing officer must sign the form acknowledging that the property bag was sealed when returned and accepted by the inmate.

Observations

The Sheriff's deputies did not always comply with Standard Operating Procedures regarding the completion of Inmate Property Record forms. Specifically, we reviewed 70 Inmate Property Record forms for inmates incarcerated on December 30, 2016 and observed 28 exceptions where the form was incomplete, completed incorrectly, or illegible. We also observed 2 instances where property remained in the property room, but the Inmate Property Record forms showed that the property was returned to the inmates. One form could not be located at all. This observation was previously reported in November 2015.

We also observed that items deemed "of value" and, therefore recorded on the Inmate Property Record forms, were inconsistent.

Recommendations

As required by the Sheriff's Standard Operating Procedures, Inmate Property Forms should be completed accurately and signed in the correct location by the inmate, booking officer, and the release officer. Additionally, clarification of what items are deemed "of value" is needed so that those items are consistently recorded on property forms.

Observation 3 Procedures to record, monitor, and report Chapter 59.06 assets are not adequate.

Background

Prior to FY2016, certain municipal law enforcement agencies participated in a cooperative agreement with the Criminal District Attorney's Office for the detection, apprehension, and prosecution of individuals who engage in certain illegal activities. In January 2016, CNET became part of the Tarrant County Sheriff's Office for administrative purposes. The activities of CNET are governed by the *Tarrant County Combined Narcotics Enforcement Team Interlocal Assistance Agreement* and statutes. Chapter 59 provides guidance on allowable expenditures and the use of forfeited assets.

Observations

We observed that procedures used to record, monitor, and report seized and forfeited assets were not adequate. Specifically, we reconciled assets seized and forfeited from October through December 2016 to the Criminal District Attorney's records and found \$1,965 in seized cash that was not included in the Sheriff's records. This observation was previously reported in the FY 2016 Chapter 59.06 Report presented to Commissioners Court in January 2017.

Additionally, one Tarrant County Sheriff's Firearm Record was not completed correctly. Several items, including gun bags and scopes, were not included on the firearm report.

Recommendations

We recommend that Sheriff's staff implement procedures to accurately record, monitor, and dispose of seized and forfeited assets. At a minimum, this system should track the seizure date, forfeiture date, disposition, description, type, and location of the asset. Additionally, Firearm Records should list all items of value before the items are transferred to the Property Room.

Observation 4 Donations were not accepted by Commissioners Court as required by statute.

Background

Local Government Code 81.032 states, "*The commissioners court may accept a gift, grant, donation, bequest, or devise of money or other property on behalf of the county...*" Additionally, Attorney General Opinion KP-0003 states "*pursuant to section 81.032 of the Local Government Code, the commissioners court is the proper body to receive and accept donations on the county's behalf and that the sheriff should immediately forward those donations to the commissioners court for proper handling.*"

In 2001, the prior Sheriff opened a bank account at the Tarrant County Credit Union to deposit funds received from various donors for the Sheriff's Office annual awards ceremony, dinner, and employee recognition. The reconciled balance of the bank account totaled \$10,341.10 as of December 31, 2016.

Observation

During our review, the Auditor's Office became aware of the bank account held by the Sheriff's Office for funds received from various donors for the annual awards ceremony, dinner, and employee recognition. These monetary donations were not accepted by Commissioners Court as required by statute. According to Sheriff's Office staff, they were not aware that donations must be accepted by Commissioners Court.

We communicated this issue to Sheriff's Office staff on December 14, 2016. Although the Sheriff's Office could not provide a detailed listing of donors and donated amounts, the balance of the donations were accepted by Commissioners Court on January 31, 2017. The Sheriff's Office remitted a check dated February 15, 2017 in the amount of \$10,341.10 to the Auditor's Office and closed the bank account. No further recommendation is required.

CLOSING REMARKS

We appreciate the cooperation of the Sheriff's Office during our review and their attention to our recommendations. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management's response

Audit Team: Kim Trussell, Audit Manager
Matthew Jones, Senior Internal Auditor



TARRANT COUNTY
OFFICE OF THE SHERIFF
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June 14, 2017

S. Rene Tidwell, CPA
County Auditor
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RE: Response to the Auditor's Report – Exit Review of the Sheriff's Office

Ms. Tidwell:

I would like to thank you and your Audit Team for such a thorough review of the previous Sheriff's accounting methods. I have reviewed your observations and recommendations with the Audit Team, and with my Command Staff. My hope is that with the implementation of a modern Inmate Commissary Accounting system a majority of these concerns will be alleviated. We have a different philosophy than the previous administrations, and are currently working to make sure that all our team members are cross-trained in an effort to eliminate any issues that might arise. I am also pleased to learn that my team members started working with your office long before this report was issued to remedy issues uncovered from this audit.

Regarding Observation 1 – Controls over financial transactions are not adequate. We will review the current procedures and guidelines our office has in place and make any necessary changes as to how we process and review voids in our Detention Bureau Money Room. However, I would note, that our current procedures do not need to meet the standard you have listed here from a 1999 Local Criminal District Attorney Opinion. With that being said – our goal is to be as transparent as possible and will review these procedures to see if any changes need to be made.

Regarding Observation 2 – Staff did not comply with certain Standard Operating Procedures. Again, we believe a new Commissary Accounting System will help alleviate this issue. We will also be evaluating the procedures surrounding this area and look at implementing any changes we deem necessary to facilitate the correct recording of paperwork for inmate property.

TO PROTECT AND SERVE – ALWAYS PUTTING OTHERS BEFORE SELF

Regarding Observation 3 – Procedures to record, monitor, and report Chapter 59.06 assets are not adequate. Thank you for your recommendations. We will look at the policies and procedures and make adjustments if deemed necessary.

Regarding Observation 4 – Donations were not accepted by Commissioners Court as required by statute. Given that these actions were done by the previous Sheriff without his closest staff having knowledge of this account, we are comfortable stating that this issue will not arise under the current administration.

Again, thank you and your Audit Team for the effort and professionalism you have put into this report. I look forward to working with your office in future.

At Your Service

DAVID MCCLELLAND, ON BEHALF OF
BILL E. WAYBOURN, SHERIFF
TARRANT COUNTY, TEXAS