



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#127274

PAGE 1 OF 8

DATE: 03/20/2018

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE
TARRANT COUNTY SHERIFF'S COMMISSARY OPERATIONS
FOR FISCAL YEAR 2016**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the Tarrant County Sheriff's Commissary Operations for Fiscal Year 2016.

BACKGROUND:

In accordance with Texas Local Government Code Section 351.0415, "Commissary Operation by Sheriff or Private Vendor", the Auditor's Office examined the Tarrant County Sheriff's Office commissary operations for Fiscal Year 2016.

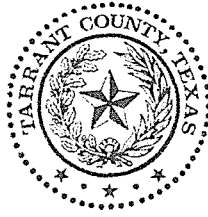
As required by Texas Government Code 511.016, the Auditor's Office forwarded the audit report and a Jail Operations Summary of Revenues and Expenditures to the Texas Commission on Jail Standards.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
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S. RENEE TIDWELL, CPA
COUNTY AUDITOR
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CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
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March 2, 2018

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

Re: Auditor's Report – FY2016 Commissary Operations

SUMMARY

In accordance with Texas Local Government Code Section 351.0415, "*Commissary Operation by Sheriff or Private Vendor*", the Auditor's Office examined the Tarrant County Sheriff's Office commissary operations for FY2016. Specifically, we reviewed general ledger receipt and disbursement accounts as shown on the attached financial statement and found that the commissary accounts fairly represent the Sheriff's Office commissary operations as of September 30, 2016.

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. During our review, we observed that controls over financial transactions were not adequate. This condition was previously reported in the Exit Review of the Sheriff's Office presented to Commissioners Court on June 20, 2017. The Sheriff's Office has recently implemented a new inmate banking system. The Sheriff's Office anticipates that the new inmate banking system will eliminate various manual processes historically used by the Money Confinement Room officers. The new system should provide adequate financial controls, including segregation of duties, to mitigate the risk of lost funds and also provide historical financial data. We will evaluate and test these controls during our audit of FY2017 Commissary Operations.

We also observed that controls over inventory purchased with commissary funds were not adequate. We discussed this observation with management. Attached is the Sheriff's response.

BACKGROUND

Local Government Code Section 351.0415 requires that the auditor verify the accuracy of the jail commissary accounts and report the findings to the Commissioners Court. The auditor is also required to provide a copy of the audit no later than the 10th day after completing the audit to the Commission on Jail Standards per Texas Government Code Chapter 511.

Local Government Code also states that the Sheriff or his designee shall accept new bids for commissary suppliers every five years. Tarrant County Commissioners Court approved Keefe Commissary Network (Keefe) as the primary vendor. The term of the current contract is February 1, 2015 to January 31, 2016 and allows for four additional 12-month terms, including continuation of services on a month-to-month basis. Subsequently, the commissary contract was rebid in 2017 resulting in a new contract with Keefe with an initial term of October 1, 2017 through September 30, 2018.

OBSERVATION AND RECOMMENDATION

Controls over inventory purchased with commissary funds were not adequate.

Background

Inventory purchased with commissary funds is stored in the Sheriff's commissary warehouse located at Resource Connection. Upon receipt of an order, the warehouse manager prepares the items to be delivered and enters the order into SAP so that the cost of the items is charged to the correct cost center, i.e. jail. Typically, the order is delivered to the appropriate jail location on the same day the items are requested.

Observations

We selected 10 items recorded in the Sheriff's commissary inventory and performed a physical count of each item. Six items, totaling more than \$6,000, did not match the quantities recorded in SAP. We also observed that 33% of the total commissary inventory expenses were recorded on September 28, 2016, just before the County's year end. This condition occurred because orders were not always entered into SAP when inventory was transferred to a jail.

We also observed the following:

1. Documentation supporting the chain of custody of inventory transferred to the jails did not always exist. Although most orders are documented by an order form, at times the warehouse officer transfers inventory based on a phone order. In these cases, no documentation exists describing the inventory transferred to a jail.
2. There is not a documented methodology for charging clothing items, such as shoes, boots, and inmate coveralls, to the various cost centers. Clothing items are not usually stored at the warehouse. Upon receipt, the warehouse officer ships clothing items to the Laundry Center at the Resource Connection for distribution to the jails. Since there is no documented methodology, the warehouse officer judgmentally charges each jail, or cost center, an amount based on what he believes was delivered to the jail.
3. Documented procedures related to inventory purchased with commissary funds do not exist.

Since there is no independent management oversight of inventory, a significant risk for theft and loss exists due to these conditions. Specifically, inventory items can be easily stolen and recorded in SAP as an expense.

This condition was also included in the FY2014 and FY2015 Commissary Operations audit reports.

Recommendations

Inventory transferred to jails should be clearly documented by a material order. At least weekly, material orders should be entered into SAP rather than waiting until year end. The warehouse manager should also implement procedures to document the transfer and receipt of inventory. For example, the person receiving the inventory could sign a copy of the SAP-generated Goods Receipt (GR) or Goods Issue (GI) document confirming receipt of the items. In accordance with the County's records retention schedule filed with the State of Texas, copies should be maintained at least for the current fiscal year plus three years.

Management should also document procedures related to inventory purchased with commissary funds. These procedures should also include periodically testing the inventory balances recorded in SAP by management other than the warehouse manager. Additionally, a documented methodology should be implemented on expensing clothing items to correctional centers so that expenses can be tracked accurately in SAP.

CLOSING REMARKS

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

Sincerely,



S. Repée Tidwell, CPA
County Auditor

Attachments: Commissary Operations – Summary of Cash Receipts and Disbursements, FY2016
Management Response
Letter to Texas Commission on Jail Standards

Distribution: David McClelland, Chief of Staff
Mike Gravitt, Captain

Audit Team: Kim Trussell, Audit Manager
Matt Jones, Senior Internal Auditor
Ky J. Stafford, Internal Auditor

**TARRANT COUNTY SHERIFF'S OFFICE
COMMISSARY OPERATIONS**

**Summary of Receipts and Disbursements
Fiscal Year Ended September 30, 2016**

Beginning Fund Balance, October 1, 2015 \$ 2,800,567

Receipts:

Commissary Income	\$ 1,688,380	
Auction Proceeds	10	
Interest Income	13,937	
Prior Year Reimbursement	-	
Total Receipts	<hr/>	\$ 1,702,328

Disbursements:

Salaries & Benefits	\$ 697,675	
Bedding & Clothing	247,874	
Jail Indigent Supplies	61,217	
Non-Tracked Equipment	132,360	
Recreation	62	
Personal Hygiene	29,195	
On-Line Service (Law eBooks)	15,465	
Supplies	12,340	
Equipment	471	
Equipment Maintenance	1,969	
Subscriptions	5,809	
Telephone - Basic	960	
Asset Depreciation Expense	2,073	
Commissary Inventory Variance	(1)	
Total Disbursements	<hr/>	\$ 1,207,469

Receipts Over Disbursements \$ 494,859

Ending Fund Balance, September 30, 2016 \$ 3,295,426

**TARRANT COUNTY SHERIFF'S OFFICE
JAIL OPERATIONS**

**Summary of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2016**

Revenues:

Prisoner Care	\$ 254,720.00
Payphone Commission	1,030,000.00
Social Security Incentive	74,000
MHMR	2,638,203
LEOSE Education Funds	<u>2,714</u>

Total Revenues

\$ 3,999,637

Expenditures:

Salaries & Benefits	\$ 63,168,819
Contracts	6,928,119
Buildings	7,338,836
Materials & Supplies	1,231,364
Capital Outlay	18,060
Court Costs	780
Travel-Education	19,069
Other	<u>77,139</u>

Total Expenditures

\$ 78,782,186



TARRANT COUNTY
OFFICE OF THE SHERIFF
BILL E. WAYBOURN

Bill Waybourn
Sheriff
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Plaza Building
200 Taylor Street
Seventh Floor
Fort Worth, Texas 76196

March 13, 2018

S. Rene Tidwell, CPA
County Auditor
100 E. Weatherford Street
Fort Worth, Texas 76196

RE: Response to Auditor's Report – FY2016 Commissary Operations

Ms. Tidwell:

I would like to thank you and your audit team for such a thorough review of the Commissary Operations and the procedures surrounding the commissary. We have reviewed your observations and recommendations with the audit team, and with our team here at the Tarrant County Sheriff's Office. We will look at the feasibility of implementing your recommendations as it is our goal to be as transparent as possible when dealing with the citizen's trust that has been given to us.

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

TO PROTECT AND SERVE – ALWAYS PUTTING OTHERS BEFORE SELF



TARRANT COUNTY

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March 6, 2018

Texas Commission on Jail Standards
Attn: Brandon Wood, Executive Director
P.O. Box 12985
Austin, Texas 78711-2985

Re: Commissary and Jail Operations, FY2016

Dear Mr. Wood:

In accordance with Texas Local Government Code Section 351.0415, *Commissary Operation by Sheriff or Private Vendor*, we examined the Tarrant County Sheriff's Commissary Operations for the fiscal year ended September 30, 2016. As required by Texas Government Code, Chapter 511.016, *Commission on Jail Standards*, attached is a copy of the audit report dated March 2, 2018.

Since we have completed the FY2016 Comprehensive Annual Financial Report (CAFR), also attached is the Jail Operations Summary of Revenues and Expenditures report. The amounts reported in the CAFR have been audited by Tarrant County's independent auditors.

Sincerely,

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S. Renée Tidwell, CPA
County Auditor

Attachments: Auditor's Report – FY2016 Commissary Operations
Commissary Operations, Summary of Cash Receipts and Disbursements
Jail Operations, Summary of Revenues and Expenditures

Distribution: Bill Waybourn, Sheriff
David McClelland, Chief of Staff
Mike Gravitt, Captain

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