



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER 0

PAGE 1 OF 9

DATE: 8/4/2009

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

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the review of the Tarrant County Sheriff's Commissary Operations for Fiscal Year 2008.

BACKGROUND:

In accordance with Texas Local Government Code, Section 351.0415, Commissary Operations by Sheriff or Private Vendor, the Auditor's Office examined the commissary accounts detailed on the accompanying Summary of Cash Receipts and Disbursements for fiscal year ended September 30, 2008.

Furthermore, the Auditor's Report was forwarded to the Texas Commission on Jail Standards, along with a Jail Operations summary of Revenues and Expenditures as required by statute.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
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July 16, 2009

The Honorable District Judges
The Honorable Commissioners Court
The Honorable Dee Anderson,
Tarrant County, Texas

RE: Auditor's Report – Commissary Operations for Fiscal Year 2008

SUMMARY

In accordance with Texas Local Government Code Sec. 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, 2008. Specifically, we reviewed general ledger receipt and disbursement accounts as shown on the attached summary. During our review, we found that the commissary accounts fairly represents, in all material respects, the Sheriff's commissary operations as of September 30, 2008. Furthermore, nothing came to our attention that would cause us to believe the Sheriff's commissary financial operations were not in compliance with applicable laws and regulations. Additionally, internal controls over commissary operations appear adequate as of the date of the report. However, we observed the following issues that require management's attention:

Observation 1 Certain purchases were not correctly recorded onto the general ledger.

Observation 2 Controls over the pricing of commissary products should be improved.

We discussed the observations and recommendations with management from the Sheriff's Office. Furthermore, we forwarded this report to the Texas Commission on Jail Standards on July 21, 2009 as required by statute.



BACKGROUND

Local Government Code states that the Sheriff or his designee shall accept new bids for commissary suppliers every five years. The prior contract expired on May 30, 2008. However, the contract allowed the vendor to continue on a month to month basis. On May 12, 2009, the Sheriff's Office requested that the Commissioners Court approve the jail commissary services contract and authorize staff to complete a contract with the selected party. The Sheriff's Office recommended Five Star Correctional Services as the primary vendor and Keefe Commissary Networks as the secondary vendor.

Texas Local Government Code Sec. 351.0415, states, in part:

...at least once each county fiscal year, or more often if the commissioners court desires, the auditor shall, without advance notice, fully examine the jail commissary accounts. The auditor shall verify the correctness of the accounts and report the findings of the examination to the commissioners court of the county at its next term beginning after the date the audit is completed.

Furthermore, Texas Government Code, Chapter 511, Commission on Jail Standards, Sec. 511.016. *Audits.* (a) states:

Each county auditor shall provide the commission with a copy of each audit of the county jail's commissary operations the auditor performs under Section 351.0415, Local Government Code, and a copy of the annual financial audit of general operations of the county jail. The county auditor shall provide a copy of an audit not later than the 10th day after completing the audit.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 – Certain purchases were not correctly recorded onto the general ledger.

According to Local Government Code Section 351.0415, commissary proceeds may be used only for the benefit of the inmates. Furthermore, the code states that the proceeds shall not be used to fund the budgetary operating expenses of a county jail.

During the year, the Auditor's Office monitors the appropriateness of disbursements made from commissary proceeds. As part of this current review, we determined whether selected items purchased existed and whether the items were used for the benefit of the inmates. Although we confirmed both, we found that certain items purchased were incorrectly recorded onto the general ledger. As a result, the expense account was overstated and the inventory account was understated by an immaterial amount.



Recommendation

We recommend that Sheriff's Office management ensure that staff involved in purchasing functions are properly trained and understand the proper classification and coding of purchased items.

Observation 2 – Controls over the pricing of commissary products should be improved.

The contract between the vendor and Tarrant County states:

Any price increase of any commissary product sold to inmates in the Tarrant County Jail must be approved by the Sheriff. In addition, any use of permanent inmate labor or any price increase in excess of 10% in a calendar year must be approved by the Sheriff and will require submission of the use or price to the Tarrant County Commissioners Court.

During our review, we found that price increases were properly approved. However, discrepancies existed between the price posted and the amount actually charged. Although most of these items were correctly charged to the inmate, we observed that inmate accounts were slightly overcharged for one item. We communicated this issue to the Sheriff's staff, and they provided the appropriate resolution. This condition occurred because the Sheriff's staff had not implemented the adequate procedures to verify the accuracy of prices charged to the inmates. The Sheriff's Office staff stated that they would implement procedures whereby prices posted by the vendor would be compared to the prices recorded in the vendor's commissary system. Furthermore, the vendor has agreed to provide a system-generated price list, eliminating the need to manually prepare the price list. No further recommendations are required.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine the reasonableness of the receipts and disbursements recorded in the general ledger related to the Sheriff's commissary operations during the fiscal year ended September 30, 2008. During our review, we also evaluated the adequacy of the internal controls over the commissary operations. The implementation and application of effective internal control is the responsibility of the Sheriff's Office. It is our responsibility to review and assess the effectiveness of the controls. Internal control is broadly defined as a process designed to provide reasonable, not absolute, assurance regarding the achievement of objectives such as the safeguarding of assets, reliability of financial reporting, and compliance with applicable laws and regulations. Last, we determined whether Commissary Operations complied with applicable laws and regulations.



Auditor's Report – Commissary Operations for Fiscal Year 2008
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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. Renee Tidwell, CPA
County Auditor

Attachments:

Management's Response dated July 21, 2009
Commissary Operations - Summary of Cash Receipts and Disbursements, FY2008
Letter to Texas Commission on Jail Standards dated July 21, 2009
Jail Operations – Summary of Revenues and Expenditures

Distribution:

Bob Knowles, Executive Chief Deputy
David Alvey, Sergeant

James Skidmore, Chief Deputy
Eddie Herriage, Lieutenant

Team:

Kim Trussell, Audit Manager
Angela Tran-Le, Internal Auditor

Larry Baum, Senior Auditor

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

**Summary of Cash Receipts and Disbursements
for fiscal year ended September 30, 2008**

Receipts:

Commissary Income	\$ 873,303	
Interest Income	8,086	
Auction Proceeds	188	
Total Receipts	<u> </u>	\$ 881,577

Disbursements:

Salaries & Benefits	\$ 542,664	
Bedding & Clothing	156,743	
Jail Indigent Supplies	80,918	
Equipment	3,262	
Capital	7,149	
Law Books	13,728	
Personal Hygiene	16,096	
Professional Services	4,570	
Recreation	8,612	
Equipment Rentals	-	
Supplies	9,249	
Equipment Maintenance	3,553	
Total Disbursements	<u> </u>	<u>846,544</u>

Receipts Over (Under) Disbursements 35,033

Beginning Fund Balance, October 1, 2007 238,632
Plus: Interest from FY 2007 970 239,602

Ending Fund Balance, September 30, 2008 \$ 274,635



TARRANT COUNTY
OFFICE OF THE
SHERIFF

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PLAZA BUILDING
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SEVENTH FLOOR
FORT WORTH, TEXAS 76102-2084

July 21, 2009

TO: Renee Tidwell, Auditor

FROM: Sheriff Dee Anderson

REFERENCE: Reply to Commissary Audit

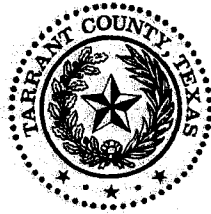
The Tarrant County Sheriff's Office is in receipt of the recent audit findings for our Commissary, and we are in agreement with all findings.

We appreciate the cooperation and diligence shown by the Audit Staff. As always, we stand ready to assist your efforts in every way.



Sheriff Dee Anderson

DA/sp-c



TARRANT COUNTY

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July 21, 2009

Mr. Adan Munoz, Executive Director
Texas Commission on Jail Standards
P.O. Box 12985
Austin, Texas 78711

Re: Auditor's Report - Commissary Operations for Fiscal Year 2008
Jail Operations Summary of Revenue and Expenditures

Dear Mr. Munoz:

In accordance with Local Government Code 351.0415(d) and Minimum Jail Standards Chapter 269.2, attached is a copy of the Auditor's Report of the Commissary Operations dated July 16, 2009 and the Jail Operations Summary of Revenues and Expenditures relative to fiscal year 2008. The revenue and expenditure amounts were obtained from the Tarrant County financial system and reconciled to the Tarrant County Comprehensive Annual Financial Report. Additional details of the revenue and expenditures are available upon request.

Sincerely,

[REDACTED]
S. Renee Tidwell, CPA
County Auditor

Enclosures

Team:

Kim Trussell, Audit Manager
Frank Mazza, Audit Supervisor
Larry Baum, Senior Auditor

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

**Summary of Revenues and Expenditures
for fiscal year ended September 30, 2008**

Revenues: \$ 1,377,367

Expenditures:

Salaries & Benefits	\$ 52,777,081
Buildings	6,063,453
Contracts	6,268,950
Materials & Supplies	1,118,497
Other	105,749
Total Expenditures	<u>\$ 66,333,730</u>

UNAUDITED