



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#121196

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DATE: 10/13/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF CONTROLS OVER INMATE PROPERTY**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the review of controls over inmate property held by the Sheriff's Office.

BACKGROUND:

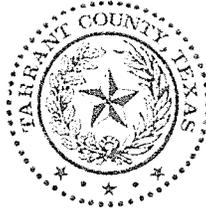
In accordance with Local Government Code, Sections 115.001 and 115.002, the Auditor's Office performed a review of the internal controls over inmate property held by the Sheriff's Office. The objective of the review was to determine whether controls were adequate to reasonably ensure that inmate personal property, including money, obtained during booking was properly recorded and secured.

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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August 18, 2015

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

RE: Auditor's Report – Controls over Inmate Property

SUMMARY

In accordance with Local Government Code, Sections 115.001 and 115.002, we performed a review of the internal controls over inmate property as of October 31, 2014. The objective of our review was to determine whether the Sheriff's controls were adequate to reasonably ensure that inmate personal property, including money, obtained during booking was properly recorded and secured. Our audit 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 property, we offer no assurance that all property received, including cash, was accurately recorded. Specifically:

- 1) Because of the manual inventory process and the lack of controls over source documents, we could not determine whether all inmate property, including money, received during the booking process was accurately recorded. Specifically, documents used to record inmate property during the booking process were not sequentially numbered, inventoried, and reconciled at the close of each shift. This issue was reported in 2012 and the Sheriff indicated that it would not be cost efficient and would require considerable investment to implement this control process.
- 2) Dbase, the system used to record money to the inmate trust accounts, does not provide a history of the inmates' trust account transactions. Rather, it only maintains the *ending balance* of each trust account. To provide historical data, daily transactions recorded in Dbase are exported into an Excel file which could be easily manipulated.

During 2014, the Sheriff's Office had up to 3,800 inmates incarcerated in County jails daily. Given the size of the inmate population, we recommend that the Sheriff and the Commissioners Court evaluate whether an automated inventory system would provide additional efficiencies and cost savings for the County.

During our review, we identified the following issues that require management's attention:

- Observation 1 Cash held in the money room safe was excessive.
- Observation 2 Sheriff's staff did not comply with certain Standard Operating Procedures.
- Observation 3 Segregation of duties over certain incompatible duties was not adequate.
- Observation 4 Controls over property belonging to inmates transferred to the Texas Department of Criminal Justice were not adequate.

We discussed these issues with the Sheriff's staff on September 3, 2015.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Cash held in the money room safe was excessive.

Background

Upon release of an inmate from the custody of the Sheriff's Office, any remaining balances in the inmate trust fund is either paid in cash to the released inmate, or a check is remitted to TDCJ if the inmate is transferred.

Observation

During the period May through October 2014, the ending amount of cash secured in the money room safe was between \$16,490.89 and \$57,629.03 daily. During the same period, the *maximum* total amount paid to inmates in a single day was \$10,977.16. The next highest amount paid in a given day to inmates totaled \$10,063.07. Excess cash held in the safe could be vulnerable to theft and loss.

Recommendation

The Sheriff's Office should re-evaluate the amount of day-to-day cash held in the money room safe. The amount held in the safe should correlate with the amount paid to released inmates daily.

Observation 2 Sheriff's staff did not comply with certain Standard Operating Procedures.

Background

The Inmate Property Record lists the currency, checks, and other property 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.

Standard Operating Procedures also states the booking officer shall count the inmate's money and place the money in an envelope then write the inmate's name and the amount of the money on the outside of the envelope. The booking officer drops the envelopes in a lock-box located in the booking room. Periodically, the Inmate Trust Fund Officer (a.k.a. Confinement Money Room Officer) retrieves the money envelopes. Procedures require that the Inmate Trust Fund Officer verify the amount of money in the inmate's envelope against the amount written on the envelope. If the amount is incorrect or the writing on the envelope is illegible, the Inmate Trust Fund Office must notify the Booking Sergeant so the envelope can be corrected. Then, the Inmate Trust Fund Officer records the amount of the money into the inmate's trust account. The inmate can use these funds to purchase commissary items. The Sheriff's Standard Operating Procedures also state that the envelopes shall be kept in a secure location until the inmate is booked into the computer system.

Observations

The Sheriff's deputies did not always comply with Standard Operating Procedures. Specifically:

1. We reviewed 25 inmate accounts opened during the period September 30, 2014 through October 6, 2014. The envelopes were not available at the time of our review. Therefore, we traced the opening amount posted in the inmate's account to the amount recorded on the Inmate Property Record form. As a result, we found 3 forms that showed a slightly different cash amount than the amount recorded to the inmate trust accounts.
2. We also reviewed the completeness of an additional 125 Inmate Property Record forms and observed the following:
 - a. 11 forms were not signed by the inmates or a Booking Sergeant.
 - b. 1 form showed a different inmate signature at booking compared to the inmate signature upon release.
 - c. 52 forms were incomplete or illegible.
 - d. 3 forms could not be located.

Recommendations

As required by the Sheriff's Standard Operating Procedures, the Inmate Trust Fund Officer should notify the Booking Sergeant regarding any variances between the amount of cash counted and the amount recorded on the envelope. Since the money envelopes are only temporarily maintained, we recommend that the Sheriff revise the Standard Operating Procedures to require that the Inmate Property Record form be corrected to show the actual amount deposited into the inmate's trust account. Any changes to the Inmate Property Record form should also be initialed by the inmate.

As required by the Sheriff's Standard Operating Procedures, both the inmate and the Booking Sergeant should sign the appropriate forms. Releasing officers should also ensure that inmates sign the correct Inmate Property Record form upon release.

Observation 3 Segregation of duties over certain incompatible duties was not adequate.

Background

Government Code, Sec. 501.014 (a), Inmate Money states, “*The department shall take possession of all money that an inmate has on the inmate's person or that is received with the inmate when the inmate arrives at a facility to be admitted to the custody of the department and all money the inmate receives at the department during confinement and shall credit the money to an account created for the inmate...* ”

The function of receipting, recording, reporting and depositing of the inmate funds is the responsibility of the Confinement Money Room within the Sheriff's Office. Inmate money is recorded into the Dbase mainframe system, also referred to as the Inmate Trust System. During the six-month audit period, over 62,000 receipts totaling over \$5 million were processed by the money room officers. To reduce the risk of theft and errors, no employee should have control over a complete transaction cycle.

Observation

Segregation of duties was not adequate among the officers in the Confinement Money Room. Since Dbase does not have the ability to void a transaction, officers must use the “withdraw function” to create a void. The withdraw function also allows the amount of the void to be greater than the amount receipted. The system does not have controls preventing money room officers from voiding, or withdrawing, their own transactions.

As previously stated, daily transactions recorded in Dbase are exported into an Excel file in order to provide historical data. Since the data in the Excel file could be easily manipulated, we have no assurance that all voided transactions were included. During the review period, the Excel file listed 262 voided transactions, of which 9 were processed by the same officer who receipted the payment. Furthermore, management does not periodically review voided transactions. There are no documented procedures related to the processing of void transactions. Without segregation of duties or other mitigating controls, errors and fraud may not be prevented and detected.

Recommendation

Ideally, system changes should be made to prevent an officer from 1) voiding (withdrawing) their own receipts and 2) voiding an amount greater than the original receipt. If this isn't possible, then a system report should be generated and then reviewed by management to verify the accuracy of voided transactions. Management should also develop written procedures for voiding transactions.

Observation 4 Controls over abandoned property were not adequate.

Background

Inmates complete a Jail Property Release form before being released to the Texas Department of Criminal Justice (TDCJ). The inmate specifies whether property prohibited by TDCJ should be released to a relative, friend, or a charity. If the inmate chooses a friend or relative, it is the inmate's responsibility to contact the individual to pick up the property within 30 days. The form specifically states that if the property is not claimed in 30 days, the property will be declared abandoned and donated to a charity or sold by the County Purchasing Department.

Observations

During our review, we observed that 14 out of the 15 Jail Property Release forms reviewed were not completed properly and did not clearly indicate how the inmate's property should be disposed. The forms also did not show the item(s) that were released to the person designated by the inmate.

Although we recognize that *most* abandoned property does not have a significant value, there are instances where items such as jewelry and cellular phones are unclaimed. We observed the following related to abandoned property:

1. Unclaimed property being prepared for destruction, donation, or auction was not reconciled to the Inmate Property Record forms (prepared at booking) and the Jail Property Release forms.
2. Documentation did not exist that lists property transferred to the Purchasing Department for auction. Furthermore, property to be auctioned was not transferred to the Purchasing Department on a regular basis. According to the Purchasing Department, they receive multiple boxes of unclaimed property about every 2 years.
3. Segregation of duties did not exist between incompatible tasks since only one property room officer is responsible for the disposition of abandoned property.

As a result, items of value could be lost or stolen.

Recommendations

Sheriff's staff should ensure that the Jail Property Release forms are completed properly and clearly indicate how the inmate's property is to be disposed. The Inmate Property Record, detailing the property confiscated during booking, should be attached to the inmate's Jail Property Release form. This will allow the inmate's designee to review the inmate's property and collect items that were not sent to TDCJ with the inmate.

We also recommend that the Sheriff's Office staff document any unclaimed property that is donated, destroyed, or transferred to the Purchasing Department to be auctioned on the Inmate Property Record (attached to the respective Jail Property Release form). The Sheriff should coordinate with the Purchasing Department to establish procedures for the transfer of unclaimed property to be auctioned. At a minimum, this should include a list of the items transferred to the Purchasing Department for auction, including signatures by both the Sheriff's Office and the Purchasing Department. The Purchasing Department indicated that ideally they would like to receive property to be auctioned every 3-6 months.

Management or another officer should approve the items designated as unclaimed property, particularly items of value such as jewelry and phones, and the disposal of such items.

CLOSING REMARKS

We appreciate the 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

Attachment:
Management's Response

Team:
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Matt Jones, Internal Auditor

Distribution:
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Emily Pedigo, Captain-Confinement-Booking



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September 23, 2015

TO: Renee Tidwell, Auditor

FROM: Sheriff Dee Anderson

REFERENCE: Reply to Controls over Inmate Property Audit

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

Observation 1 – Response

We have addressed the first observation by reducing the amount of the cash in the safe after each daily bank deposit to no more than \$15,000.00. (Please understand that throughout the rest of the day, we may take in an additional 10-15k). When we told the Auditors about our actions, they were very pleased and mentioned that they were recommending we go with that same amount.

Observation 2 – Response

At the time of the audit, the envelopes from Intake were stored in a secure area for approximately one week. At times, the envelopes were disposed of prior to a discrepancy being identified, in which case the envelope with the specific information collected and documented on the envelope itself was no longer available for examination. We have extended the length of maintaining the envelopes on hand to two weeks, which should provide a sufficient amount of time to identify any discrepancy and still have the envelope available for examination.

Additional Supervisors are being trained in Money Room and Inmate Property operations. This is; however, an ongoing process. As employees are promoted, transferred or retire, Supervisors and Officers alike will need

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specialized training in these areas. These Supervisors and Officers are hired and trained as Detention Officers. The specific job functions related to banking transactions and inventory control (inmate property) requires specific training not associated with normal Detention Officer/Supervisor duties or responsibilities.

The computerized banking and inmate property systems currently in place in these areas have been in use for over 20 years. New modern operating systems would greatly assist with the day-to-day operations of these areas and would provide better oversight and audit capabilities. We have been told for years that the implementation of the "Jail Management System" would provide modules to operate these areas; however, we do not have access to any Jail Management System at this time.

When a mistake or failure to follow policy is discovered, an internal investigation is initiated to determine the specifics of the allegation. The findings of the investigation are then provided to the Chief Deputy for review and to determine if this was merely a mistake that should be addressed and corrected through additional training, or a situation that must be corrected through the disciplinary process.

Observation 3 – Response

Due to staffing, from time to time, the Trust Fund Officer must work the intake window in order to limit the risk of theft or errors. All voids are reviewed and signed by the Supervisor.

The Database system referred to is the system that has been in use for over 20 years. It was not designed for the volume of transactions or with the security features available with modern accounting or banking systems.

Observation 4 – Response

Additional staffing is assigned as needed when workload dictates. This operation does not have any minimum staffing requirements set or monitored by Jail Standards. The individual or individuals assigned to this area are put there after required staffing related to inmate supervision has been met and therefore, redundancy may not be possible.

We have purchased some specialized inmate property equipment to assist with inmate property control and this has been a substantial benefit. We are also working with Facilities to modify the Booking Inmate Intake area to facilitate better supervision of inmates in that area and better accountability of the collection of inmate property.

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At this time, any documentation or inventory of abandoned/unclaimed inmate property must be done manually. We do not recognize the benefits of more accurate information and the ability to account for items disposed of as abandoned and would welcome additional staffing and/or software systems that would afford us the ability to implement these recommendations.

The Inmate Property System has been in operation since the Tarrant County Corrections Center was opened 24 years ago. It was not designed nor intended to provide for the inmate population we now have. It is my understanding that a renovation of the Inmate Property system is planned for FY 2016.

The addition of staffing and/or Information Technology systems would be required to make any realistic attempt at substantial implementation of these recommendations.

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

A rectangular area of the document is redacted with a solid grey fill, obscuring the signature of Sheriff Dee Anderson.

Sheriff Dee Anderson

DA/sp-c