



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#136590

PAGE 1 OF 10

DATE: 10/19/2021

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY SHERIFF'S COMMISSARY OPERATION FOR FISCAL YEAR 2020**

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 Operation for FY 2020.

BACKGROUND:

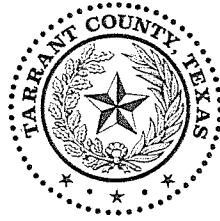
In accordance with Texas Local Government Code Section 351.0415, "Commissary Operation by Sheriff or Private Vendor", the Auditor's Office examined the Tarrant County Sheriff's Office commissary operations for FY2020. Specifically, we reviewed general ledger receipt and disbursement accounts as shown on the attached financial statements and found the commissary accounts fairly represent the Sheriff's Office commissary operations as of September 30, 2020.

As required by Texas Government Code 511.016, the Auditor's Office will forward the audit report and a Jail Operations Summary of Revenues and Expenditures for FY 2020.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor	PREPARED BY: APPROVED BY:	S. Renee Tidwell
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TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
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KIM BUCHANAN, CPA
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October 19, 2021

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

Re: Auditor's Report – Commissary Operations, FY2020

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 FY2020. Specifically, we reviewed general ledger receipt and disbursement accounts as shown on the attached financial statements and found the commissary accounts fairly represent the Sheriff's Office commissary operations as of September 30, 2020.

The Sheriff's commissary vendor, Keefe Commissary Network (Keefe), exclusively supports KeepTrak, including system updates, security access, data storage, back up, and disaster recovery. As part of the audit, we tested financial controls over the inmate banking system, including segregation of duties. Our review was limited in scope since we could not determine whether commissions related to tablet services were remitted to the County in accordance with agreement.

As a result of our audit, we observed the following issues that require management's attention:

- Observation 1 Procedures related to the oversight of system roles and permissions continue to need improvement.
- Observation 2 The commissary contractor did not remit payments to the County in accordance with the contract.
- Observation 3 Controls over the commissary inventory are not adequate.

BACKGROUND

Texas 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. Texas Government Code Chapter 511 requires that the auditor provide a copy of the audit to the Commission on Jail Standards no later than the 10th day upon completion of the audit.

The Local Government Code also states that the Sheriff or his designee shall accept new bids for commissary suppliers every five years. The Commissioners Court approved Keefe Commissary Network (Keefe) as the primary vendor. The term of the current contract is October 1, 2017 through September 30, 2018 and allows for four additional 12-month terms. Keefe maintains commissary item stock, operates the point of sale of commissary goods and hosts the trust accounting software, KeepTrak. Additionally, Keefe subcontracts inmate tablet services to Telmate and receives online inmate account deposits through its subsidiary company Access Corrections.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Procedures related to the oversight of system roles and permissions continue to need improvement.

Background

Keefe provided System Administrator rights to designated Sheriff's Office employees. The System Administrators provide access to other employees based on job duties. At the time of our review, there were 74 individuals or user ids who had access to KeepTrack.

Access should be limited to individuals with a valid business purpose. Unnecessary accounts should be removed, disabled, or otherwise secured. This process can be simplified by developing standard roles, which describes the needs for groups of users with similar duties. Periodically, roles and permissions should be reviewed to determine whether they remain appropriate.

Observations

We performed limited testing to determine whether users' access was appropriate based on their respective responsibilities. We continue to observe that procedures related to oversight of system roles and permissions need improvement. Specifically:

- 7 users ids had access to permissions that we could not determine as appropriate because the vendor did not provide permission descriptions as requested.
- A user id that was not specifically identified with a County or vendor employee appeared to function in an administrator role. We could not determine what permissions were granted.

The Sheriff's Office procedures did not include a periodic review of roles and permissions. An audit trail report is not readily available to review for adjustments or inappropriate activity. Additionally, a report or user matrix was not readily available. The descriptions available do not necessarily include all actions allowed. As a result, fraud and errors may occur but may not be detected.

Recommendations

We recommend management request Keefe to provide a report that lists all roles and permissions, including documentation that describes all actions allowed for each permission. As recommended in prior audit reports, the Sheriff's Office should implement standardized procedures whereby a system administrator performs a periodic review of access permissions and verify that the permissions align with the user's current job duties.

Observation 2 The commissary contractor did not remit payments to the County in accordance with the contract.

Background

The Sheriff's Office receives revenues from commissary sales, the inmates' use of tablets, and revenue sharing for deposits made into inmate accounts at the kiosks. Sales reports for commissary sales and commissions are generated from the KeepTrak software.

The Tarrant County Jail Inmate Services Agreement states that the contractor must remit the guaranteed monthly minimum of \$135,000 by the 15th day of each month. On the 15th of the subsequent month, Keefe will remit any additional funds that were collected during the preceding month if the sales based percentage exceed the guaranteed monthly minimum. Late payments are subject to a late fee payment of 1.5% per month.

Observations

As previously reported, written consent authorizing assignment of tablet related services was not presented to Commissioners Court. Sales derived from the tablet usage are not recorded in the KeepTrak system. Our scope is limited because the third party contractor provided limited information regarding the inmates' use of the tablets. As a result, we could not verify whether the commission from the tablet services were remitted to the County in accordance with the terms of the agreement. Additionally, we cannot provide reasonable assurance that the inmates were correctly charged for tablet services.

We also continue to observe the commissary contractor does not always remit payments to the County on time. Specifically:

- Nine of 12 supplemental commissions averaging approximately \$55,000 per month were remitted to the County late. The payments were between 1 and 21 days late.
- Six of 12 tablet commissions averaging approximately \$33,000 were late. The payments were between 2 and 45 days late.
- Three of 12 revenue sharing payments averaging approximately \$6,500 were late. The payments were between 1 and 15 days late.

Furthermore, documented policies and procedures do not exist regarding the monitoring of the timeliness of commissions. There is not a process in place to invoice any late fees for payment received after the contracted due dates. Based on the current terms of the agreement, Keefe is subject to late fees totaling \$3,368.67 for FY20.

Recommendations

The Sherriff's staff should ensure that:

1. Keefe remits sufficient detail related to tablet sales to determine that the commission remitted is in accordance with terms of the agreement and inmates were correctly charged for services.
2. Keefe remits all commissions by the 15th of the subsequent month and invoiced for late fees for FY18 through FY20.
3. As recommended since FY2017, comprehensive operating procedures for monitoring the timeliness of commissions owed to the County, including any invoicing of late payment penalties are developed and documented.

Observation 3 Controls over the commissary inventory are not adequate.

Background

The Sherriff's Department uses SAP as their inventory management system. Upon receipt of inventory from a vendor, the warehouse staff enters a good receipt into SAP, certifying that the goods were received. Inventory related expenses are recorded and categorized based on the type of expense. Categorizing expenses is required for the County's Comprehensive Annual Financial Report.

As of September 30, 2020, commissary inventory totaled approximately \$149,765.

Observations

Controls over commissary inventory are not adequate. During our review, we selected 15 items recorded in the Sheriff's commissary inventory and performed a physical count of each item. We observed 6 out of the 15 items did not match the quantities recorded in SAP. We also observed that approximately \$118,714 or 20 percent of items were not expensed by Sheriff's Office staff until the last two months prior to the fiscal year end.

Documentation supporting the chain of custody for inventory transferred to and received by the jail locations does not exist. Furthermore, the warehouse officer fills orders based on phone calls so there is no documentation supporting the order. Documented procedures related to inventory still do not exist.

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

These conditions have existed since FY2014 Commissary Operations audit report.

Recommendations

Inventory transferred to jails should be clearly documented by a material order. At least weekly, material orders should be entered into SAP. 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 GR/GI Slip (generated by SAP) confirming receipt of the items described on the list. 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.

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: Commissary Operations – Summary of Cash Receipts and Disbursements, FY2020
Management Response from Sheriff Waybourn
Letter to Texas Commission on Jail Standards

Distribution: Jennifer D. Gabbert, Chief of Staff
Charles A. Eckert, Executive Chief Deputy, Confinement
Donnie Denton, Captain
Scott Grazer, Business Manager

**TARRANT COUNTY SHERIFF'S OFFICE
 COMMISSARY OPERATIONS
 SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING SEPTEMBER 30, 2020**

Beginning Fund Balance, October 1, 2019 \$ 4,527,698

Receipts:

Interest Income	38,442	
Commissary Income	2,836,074	
Total Receipts		\$ 2,874,516

Disbursements:

Salaries & Benefits	\$ 1,342,874	
Supplies	69,390	
Jail Indigent Supplies	32,110	
Commissary Inventory Variance	(0)	
Bedding and Clothing	375,053	
Personal Hygiene	71,320	
Custodian Supplies	497,806	
Equipment	3,997	
Subscriptions	7,309	
On-Line Service	8,821	
Equipment Maintenance	17,421	
Laundry Services	160,198	
Data Transmission Line	3,272	
Non-Tracked Equipment	240,931	
Software Maintenance and Licenses	44,473	
Canine Expense	4,417	
Recreation	6,414	
Capital Outlay	120,567	
Total Disbursements		\$ 3,006,373

Receipts Over Disbursements \$ (131,857)

Ending Fund Balance, September 30, 2020 \$ 4,395,841



TARRANT COUNTY

OFFICE OF THE
SHERIFF

Bill E. Waybourn
Sheriff
817/884-3098
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PLAZA BUILDING
200 TAYLOR STREET
SEVENTH FLOOR
FORT WORTH, TEXAS 76196

October 8, 2021

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


RE: Response to Auditor's Report – Commissary Operation, FY2020

Ms. Tidwell:

Thank you, and your audit team for a thorough review of the "Commissary Operations by Sheriff or Private Vendor". We always are willing to work with you and your team to ensure quality service for Tarrant County.

I, and staff have reviewed the report and look forward to working with your office in the future.

At Your Service,


Bill E. Waybourn, Sheriff
Tarrant County, Texas



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October 19, 2021

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


Re: Commissary and Jail Operations, FY2020

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, 2020. As required by Texas Government Code, Chapter 511.016, *Commission on Jail Standards*, attached is a copy of the audit report dated October 19, 2021.

Also attached is the Jail Operations Summary of Revenues and Expenditures report. The amounts reported in the Comprehensive Annual Financial Report and have been audited by Tarrant County's independent auditors.

Sincerely,


S. Renee Tidwell, CPA
County Auditor

Attachments: Auditor's Report – Commissary Operations, FY2020
Commissary Operations, Summary of Receipts and Disbursements
Jail Operations, Summary of Revenues and Expenditures

Distribution: Bill Waybourn, Sheriff
Jennifer Gabbert, Chief of Staff
Charles Eckert, Executive Chief, Confinement
Donnie Denton, Captain

Audit Team: Kim Buchanan, Assistant County Auditor
Matt Jones, Audit Manager
Kimberly Chiasson, Senior Internal Auditor

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

**Summary of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2020**

Revenues:

Prisoner Care	\$ 12,360.00
Payphone Commission	1,030,000.00
Social Security Incentive	70,600.00
MHMR	3,867,601.00
LEOSE Education Funds	<u>-</u>

Total Revenues \$ 4,980,561

Expenditures:

Salaries & Benefits	69,951,524.07
Contracts	9,588,188.00
Buildings	8,617,519.20
Materials & Supplies	722,690.54
Capital Outlay	32,317.46
Court Costs	1,000.00
Travel-Education	8,801.04
Other-Vehicle Maint. and Fuel	<u>73,587.66</u>

Total Expenditures \$ 88,995,628