

# **AUDITOR'S REPORT**

## **SHERIFF'S JAIL COMMISSARY FY 2014 FOR THE 12 MONTH PERIOD ENDED FEBRUARY 28, 2014**



**October 16, 2015**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

October 16, 2015

Sheriff Ron Hickman  
Harris County Sheriff's Office  
1200 Baker  
Houston, TX 77002

RE: Sheriff's Office Jail Commissary for the 12 month period ending February 28, 2014.

Although you were not the office holder during the period of our procedures, we are addressing this letter to you as the current office holder.

The Audit Services Department performed procedures relative to the Sheriff's Office Jail Commissary (Commissary). The objective of the engagement was to examine the Commissary accounts pursuant to Texas Local Government Code (LGC) §351.0415(d), evaluate, on a test basis, compliance with the provisions established by LGC §351.0415(b)(3) and 351.0415(c), and report the results to the Harris County Commissioners Court and the Texas Commission on Jail Standards in accordance with Texas Government Code (TGC) §511.016(a).

We performed the following procedures to determine whether:

- Revenue and expenditures recorded in the Commissary System (QuickBooks, Canteen Manager) and the County's Integrated Financial and Administrative Solution (IFAS) System was reasonable compared to the two prior years
- Security of assigned user access rights was adequate and appropriate
- Selected bank reconciliations and related cash balances were accurately and timely recorded in the Commissary System and IFAS
- Selected disbursements were in compliance with statute and were properly authorized, supported, approved and accurately recorded in the Commissary System and IFAS, and purchases were from approved vendors
- Sales and sales tax payable were accurately recorded in the Commissary System and IFAS and the correct amount was deducted from the respective inmates' trust accounts
- Cost of sales and the value of closing inventory were accurately recorded in the Commissary System and IFAS
- Selected adjusting entries were appropriate and properly approved
- Previously reported recommendations were implemented

The engagement process included providing you with a combined engagement and scope letter and conducting an entrance and exit conference with your personnel. The purpose of the letter

Sheriff Ron Hickman  
Harris County Sheriff's Office

and conferences was to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott  
County Auditor

cc: District Judges  
County Judge Ed Emmett  
Commissioners:  
R. Jack Cagle  
El Franco Lee  
Jack Morman  
Steve Radack  
Devon Anderson  
Vince Ryan  
William J. Jackson

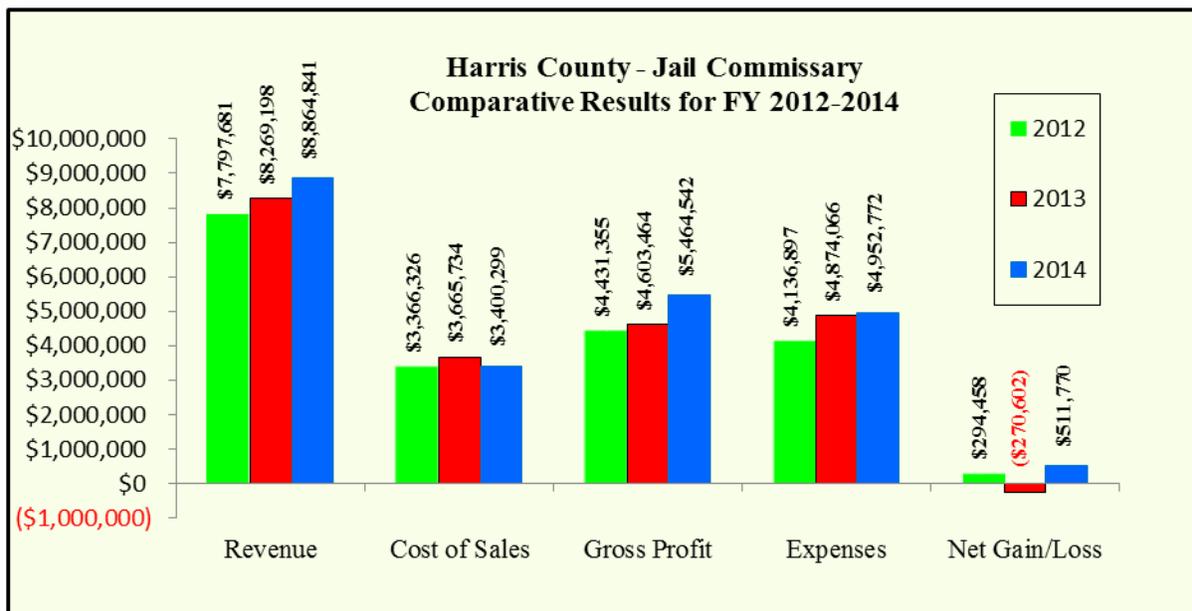
# TABLE OF CONTENTS

<b>OVERVIEW .....</b>	<b>4</b>
<b>RESULTS .....</b>	<b>6</b>
<b>ISSUES AND RECOMMENDATIONS .....</b>	<b>7</b>
<b>Terminated/Transferred Employee Access .....</b>	<b>7</b>
<b>Incomplete Account Request Forms.....</b>	<b>8</b>
<b>Log Review Process.....</b>	<b>10</b>
<b>Unknown User Transactions in QuickBooks.....</b>	<b>11</b>
<b>QuickBooks and IFAS Discrepancy .....</b>	<b>12</b>
<b>Recording of Voided Checks .....</b>	<b>13</b>
<b>Receiving History Report .....</b>	<b>14</b>
<b>Physical Inventory Process.....</b>	<b>15</b>
<b>Price Listing.....</b>	<b>17</b>
<b>Taxable &amp; Nontaxable Inventory Items.....</b>	<b>18</b>
<b>RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS.....</b>	<b>20</b>

## OVERVIEW

The Sheriff's Office operates a Commissary service at three downtown jail locations. The Commissary sells food products, hygiene supplies, clothing, over the counter drugs, and writing materials that are not provided to inmates by the County. Individual Inmate Trust Accounts (Trust Accounts) are established with funds in the inmates' possession at the beginning of incarceration and credited with deposits made thereafter. Inmates may place orders for Commissary items, subject to available funds in their Trust Account. Commissary purchases are deducted from the Trust Accounts. Sheriff's Office personnel assigned to the Commissary supervise and process inmate orders, deliver the items to the inmates, and maintain the Commissary inventory. Commissary proceeds must be used for the benefit of the inmates or to fund, staff, and equip Commissary operations in accordance with LGC §351.0415(c).

The following chart presents comparative results of Commissary operations and the expenditures for the fiscal years ended February 2012, 2013, and 2014.



The Commissary uses the Canteen Manager System (Canteen System), supported by Trinity Services Group. Canteen records Commissary sales transactions (inmate orders) through the use of Scantron sheets, maintains Commissary inventory, and generates monthly sales and sales tax reports. Although Canteen can maintain financial related information, the Sheriff's Business Office (Business Office) uses QuickBooks to record purchase orders, process accounts payable, and generate financial information. The Business Office processes Commissary invoices for payment, maintains the accounting records, and remits state sales taxes due on Commissary sales. Details of transactions are submitted to the Auditor's Office - Financial Accounting Department (Financial Accounting) and are recorded in IFAS. Certain financial transactions such as depreciation, investment earnings, and bank interest are only recorded in IFAS. Generally, the Sheriff's Office uses a structured bid solicitation process for selecting Commissary inventory item vendors.

A Memorandum of Understanding, approved by the Commissioners Court on 9/11/12, permits Sheriff Commissary employee payroll/benefits to be funded from Fund 5070 (Enterprise Fund). The Commissary is staffed with County and contracted personnel. The 5070 fund is composed of a Sheriff required deposit for two and one half (2 ½) months of Commissary salaries/benefits and the amount of any other permissible non-labor expenditures anticipated. The advance payment to the County ensures that Commissary employees will not experience payroll or benefits delays. The 5070 fund is reimbursed by the Sheriff's Commissary Fund upon being invoiced by the Auditor's Office - Accounts Receivable Department.

On December 22, 2011, the Attorney General of Texas issued Opinion No. GA-0901. The summary information provided states, "A county sheriff controls the county jail commissary fund, and as a result, the sheriff must make the initial determination, subject to judicial review, as to whether proceeds from the fund may be used for particular purposes. The proceeds may be used only to fulfill one of the five purposes described in section 352.0415(c) of the Local Government Code."

## RESULTS

Based upon the procedures performed as presented in our scope letter and in accordance with TGC §511.016, *Audits*, the following was noted:

- No matters came to our attention that would cause us to believe that the Commissary accounts were not maintained in compliance with the statutes.
- New bids were accepted in accordance with LGC §351.0415(b)(3).

In addition, it appears that Commissary proceeds were used for the benefit of the inmates or to fund, staff, and equip Commissary operations in accordance with LGC §351.0415(c).

However, our procedures did identify some opportunities for improvements of the internal control environment. Specifically, internal controls should be strengthened to help ensure:

- Consistent timely deactivation of system access for terminated, transferred and reassigned employees
- Completion and proper approval of user security access request forms
- Monitoring of system application logs
- User transparency on each QuickBooks transaction

These and other issues are discussed in detail in the attached Issues and Recommendations Matrix.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Terminated/ Transferred Employee Access	Commissary Management tracks employees that have, or had, user accounts in the Canteen System by maintaining a manual list of users and comparing this list to reports created from the Canteen System, which list the employees whose accounts have been deactivated.	<p>The Business Office System Administrator does not have sufficient controls in place to ensure system access to the Canteen System is deactivated for terminated, transferred or reassigned employees. Our procedures identified 1 user account in the Canteen System that was not deactivated in a timely manner. The employee was terminated on 5/30/13, but was not deactivated from the system until 7/30/13. However, there was no system activity for the terminated employee's user account during this period.</p> <p>In addition, 6 employees identified as having access to the Canteen System could not be easily identified and reconciled to the employee master file listing in IFAS as there is no procedure in place to</p>	<p>Business Office Management should strengthen their reviews of user access, including user account change requests and employee status changes to detect and correct missed deactivation of terminated, transferred or reassigned employees.</p> <p>In addition, employee names or a unique employee identifier in the Canteen System should be entered exactly as the corresponding names or unique identifier in the IFAS employee master file. For example, in the IFAS employee master file, if the employee's name is listed as Michael Doe, and in the Canteen System, the name is listed as Mike Doe, deactivation may not occur.</p> <p>Since a similar issue was presented in previous audit</p>	The HCSO Commissary Manager and HCSO Inmate Bank Manager have been informed of the imperative to immediately notify the Canteen System Administrator when an employee is transferred or terminated, and needs to be removed from the Canteen system. As of June 2015 employee names in the Canteen system have been matched to the IFAS employee master file, and this matching will continue to be monitored going forward. The CFO will at a minimum review compliance with these directives on a quarterly basis going forward.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Terminated/ Transferred Employee Access</p>		<p>ensure consistent entry of employee names and/or a unique employee identifier in both systems.</p> <p>Untimely deactivation of user access could result in inappropriate and unauthorized system access. Additionally, the lack of consistent and/or unique employee identifiers can create an environment susceptible to unintended access going undetected.</p> <p><i>We reported a similar issue in our previous audit report titled, Sheriff's Office Jail Commissary, dated 2/21/14.</i></p>	<p>reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	
<p>Incomplete Account Request Forms</p>	<p>System access to the Canteen System and QuickBooks is provided through a process requiring Commissary Management to create a user security access request form for each employee. The user's</p>	<p>The Business Office does not have sufficient controls in place to ensure completeness and authorization of Canteen System and QuickBooks user security access request forms. Our procedures</p>	<p>Commissary Management and the Business Office Management should follow Policy 4.18, <i>Inmate Trust Fund Software Administration</i>, requiring maintenance of security levels and assignments,</p>	<p>Effective June 2015, all user security access forms have been reviewed to ensure completion of all applicable sections and proper authorization by a Manager granting system access. Going forward the HCSO</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Incomplete Account Request Forms</p>	<p>Manager completes the user security access request form, which includes the access rights to be assigned to the account through security group assignments. The form requires a formal managerial approval (signature/title) and employee acceptance of responsibilities (signature). The Business Office System Administrator tracks the dates of account creation, modification, and deactivation of system access.</p>	<p>identified the following:</p> <ul style="list-style-type: none"> <li>• 30 of the 31 (97%) user security request forms reviewed were not filled out completely</li> <li>• 5 of the 31 (16%) forms did not include the signature of the approving Manager</li> <li>• 1 of the 31 (3%) users self-approved the user security access request form</li> </ul> <p>Incomplete or improperly approved user security access request forms may result in inappropriate user access being granted, override of internal controls, and lack of appropriate management oversight.</p> <p><i>We reported a similar issue in our previous audit reports titled, Sheriff's Office Jail Commissary, dated 2/21/14 and Sheriff's</i></p>	<p>which should include completion of all applicable sections on the user security access request form to document proper approval for granting system access. Each form should be appropriately reviewed and approved by a Supervisor or Manager prior to providing system access.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	<p>Accounting Manager will perform a quarterly review to ensure compliance with these requirements, and will provide a report to the CFO detailing any deficiencies noted.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<i>(Continued)</i> Incomplete Account Request Forms		<i>Office Jail Commissary, dated 11/15/13.</i>		
Log Review Process	Both the QuickBooks and Canteen System are capable of generating audit logs to record transaction details by date range. This information may be used for monitoring transactions, identifying training issues, and detecting unusual user activities. The Business Office System Administrator informed us that upon request, the audit logs can be generated for monitoring purposes.	<p>The Business Office could not provide evidence that they are monitoring the QuickBooks or Canteen System audit logs. In addition, evidence could not be provided to support monitoring of online activity.</p> <p>Not monitoring the QuickBooks or Canteen System audit logs could result in improper or unauthorized activity going undetected.</p> <p><i>We reported a similar issue in our previous audit reports titled, Sheriff's Office Jail Commissary, dated 2/21/14 and Sheriff's Office Jail Commissary, dated 11/15/13.</i></p>	<p>Commissary and Sheriff's Business Office Management should formalize and document periodic monitoring of both the QuickBooks and Canteen System audit logs. Documentation should identify the employee(s) monitored, the management level personnel responsible for monitoring the audit logs and the types of transactions that are to be monitored. Improper activity exposed through the process should be effectively resolved in accordance with proper approved information technology security.</p> <p>Since a similar was issue presented in previous audit reports, the CFO should</p>	Beginning in October 2015 the QuickBooks and Canteen System Administrator will produce monthly audit logs and distribute to the Commissary Manager, Inmate Bank Manager, and Accounting Manager. These managers will review and sign the logs. Compliance with this requirement will be reviewed by the CFO on a quarterly basis.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<i>(Continued)</i> Log Review Process			establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.	
Unknown User Transactions in QuickBooks	The QuickBooks System is designed to provide a tracking of transactions to unique access codes which correspond to assigned system users.	<p>The Business Office does not have sufficient controls in place to ensure user names, which should be maintained in QuickBooks, are deleted from the system when employees are terminated or transferred.</p> <p>As a result, 478 of the 5,632 (8%) QuickBooks transactions were recorded under “Unknown User.”</p> <p>Administrator deletion of QuickBooks user names defaults system transactions for those users to “Unknown User,” resulting in a lack of transaction transparency, detection and accountability.</p>	<p>Business Office Management should edit the user accounts to “No Access” for employee terminations or transfers, without deleting user names from QuickBooks. The list of user names permits the system to associate transactions to system users, whether it is a current or former employee.</p> <p>Business Office Management should also monitor for “Unknown User” by running and reviewing the QuickBooks Audit Trail report after terminations and transfers of employees with access removed.</p>	Effective June 2015 user accounts in QuickBooks for terminated or transferred employees have been edited to indicate “no access”, instead of just being deleted. Going forward the HCSO Accounting Manager will review the QuickBooks audit trail reports after terminations or transfers of employees with access to the system, to ensure any “unknown user” activity is identified and investigated.

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
QuickBooks and IFAS Discrepancy	<p>Commissary Fund expenditures, including cost of goods sold, are classified via General Ledger (GL) account coding by the Business Office in QuickBooks. They are submitted as checks and are processed to Financial Accounting via a QuickBooks report for inclusion in IFAS. At fiscal year-end, a QuickBooks report of unpaid invoices is also submitted to Financial Accounting for recording accrued expenses.</p>	<p>The Business Office does not have sufficient controls in place to ensure expenditures on the Expense by Vendor and Cost of Goods Sold reports agree to IFAS. Our procedures identified the following:</p> <ul style="list-style-type: none"> <li>• IFAS was understated by \$10,169 for the Commissary Total Expenditures</li> <li>• IFAS was overstated by \$8,967 for the Commissary Cost of Goods Sold</li> </ul> <p>Failure to accurately record Commissary transactions may result in misstated amounts in IFAS.</p> <p><i>We reported a similar issue in our previous audit reports titled Sheriff's Office Jail Commissary, dated 2/21/14 and Sheriff's</i></p>	<p>Business Office Management should implement a procedure to reconcile the balance from the reports to IFAS on a quarterly basis and should effectively reconcile the Commissary's year-to-date reports (check register) to IFAS. Identified differences should be resolved timely to reflect accurate and complete recording of expenditures and costs.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	<p>Effective October 2015 and going forward, the HCSO Business Office will conduct a quarterly reconciliation of IFAS reports to the Commissary year-to-date reports, and will endeavor to resolve differences in a timely manner. The HCSO Accounting Manager will review these reconciliations to ensure compliance.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>(Continued) QuickBooks and IFAS Discrepancy</p>		<p>Office Jail Commissary, dated 11/15/13.</p>		
<p>Recording of Voided Checks</p>	<p>The timely recording of voided checks in IFAS is essential for it to reflect the account's actual balance. Section A.8(c) of the County's Accounting Procedure C.8, <i>Custodial Bank Accounts</i>, requires processing within a 2 month period. Once a determination is made that a check needs to be physically voided, a transaction to record the voided check is made in IFAS by Financial Accounting.</p>	<p>Voided checks were not consistently recorded timely into the GL:</p> <ul style="list-style-type: none"> <li>• Check #29439 for \$1,155 was voided in May of 2013 in QuickBooks, but the void was not recorded in IFAS until July 31, 2013, or 2 months after it was voided in QuickBooks</li> <li>• Check #29906 for \$13,476 was voided in October of 2013 in QuickBooks, but the void was not recorded in IFAS until January 22, 2014, or 3 months after it was voided in QuickBooks</li> <li>• Check #27108 for \$4,625 was voided in December of 2011 in</li> </ul>	<p>Business Office Management should work with the Auditor's Office Financial Accounting Management to develop and implement written procedures to ensure all checks voided in QuickBooks are timely voided in IFAS. These procedures should include maintaining a log of voided checks and reviewing them periodically to ensure they were recorded in IFAS.</p>	<p>The HCSO Business Office will work with the Auditor's Office Financial Accounting to develop and implement procedures as recommended. A log of voided checks is already being produced, and will be reviewed quarterly to ensure proper recording in IFAS.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Recording of Voided Checks</p>		<p>QuickBooks, but the void was not recorded in IFAS until January 31, 2014, or 25 months after it was voided in QuickBooks</p> <p>Failure to record voided checks timely in IFAS could result in misappropriation and/or misstatement of funds.</p>		
<p>Receiving History Report</p>	<p>The Commissary uses a Purchase Order (PO) system to place orders. The PO's are printed and used to verify deliveries. The quantity of the items ordered on the PO are compared against the items received. The information is updated in the Canteen System when the quantities differ. A Receiving History (<i>receiving document</i>) is printed and attached to the PO and to the invoice. The invoice is then matched against this Receiving</p>	<p>Disbursements were not properly supported for 5 of 120 (4%) disbursement transactions examined. Our procedures identified the following:</p> <ul style="list-style-type: none"> <li>• 3 transactions had receiving documents that did not match the invoice paid, resulting in \$98.50 of underpayments</li> <li>• 1 transaction had a receiving history report that was inaccurately updated in the system</li> </ul>	<p>Commissary Management should increase supervision of the disbursement process to verify that each disbursement is supported by an invoice, a matching receiving document and a matching PO prior to submitting for payment.</p>	<p>Effective October 2015 Commissary Management has been notified of the need to increase supervision of the disbursement process and perform proper matching procedures. It should be noted that upon outsourcing of the Commissary operation (est. Jan 2016), HCSO will no longer be responsible for these activities.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Receiving History Report</p>	<p>History report and the PO.</p>	<p>resulting in an underpayment of \$19.84.</p> <ul style="list-style-type: none"> <li>• 1 bill of lading did not document the differences of the amount received resulting in an overpayment of \$29.60.</li> </ul> <p>Deliveries that are not properly verified for quantities with amounts documented before being received in the system may result in inappropriate payments. Differences between the PO, receiving documents and invoices may result in inaccurate payments.</p>		
<p>Physical Inventory Process</p>	<p>A physical inventory helps ensure accurate recording of the Commissary's inventory value in IFAS. Additionally, it provides for variance analysis (i.e., comparing actual to perpetual inventory</p>	<p>The Commissary does not have sufficient controls in place to ensure inventory processes are performed timely and accurately. Our procedures identified the following:</p>	<p>Commissary Management should implement a process that permits for timely inventory counts and reconciliation of those counts to the Canteen System to produce an accurate final physical</p>	<p>Effective October 2015 Commissary Management will implement a process as recommended to ensure the Canteen System inventory is as accurate as possible. This will become a critical element of the transition to</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Physical Inventory Process</p>	<p>balances) to determine possible loss through theft or spoilage. The physical inventory also helps provide data for managing inventory needs and costs.</p>	<ul style="list-style-type: none"> <li>• 28 of 40 (70%) items, which had been accurately documented on count-sheets, were not reconciled with the Canteen System due to untimeliness, leading to continued inaccurate values on the final physical inventory report.</li> </ul> <p>Inaccurate Canteen System inventory balances were used for a 2014 valuation adjustment in IFAS.</p> <p>An inaccurate year-end inventory report may result in misstated amounts in IFAS and impair the ability to identify losses, thefts and manage variances.</p> <p><i>We reported a similar issue in our previous audit report titled, Sheriff's Office Jail Commissary, dated 2/21/14.</i></p>	<p>inventory report.</p> <p>Before the inventory, consider: 1) effective inventory organization; 2) proper inventory tagging; 3) using smaller count sheets; 4) proper lighting; and 5) adequate staffing.</p> <p>During or immediately after the inventory counts, update the Canteen System and run a system report to verify agreement with count-sheet totals before resumption of routine operations.</p> <p>Since a similar issue was presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	<p>outsourcing the Commissary operation (est. Jan 2016), and will cease to be an HCSO responsibility from that point forward.</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
Price Listing	<p>The Sheriff's Office operates a Jail Commissary to facilitate inmates' purchasing of food and other basic personal items. Pursuant to Commissary Post Orders Policy #CJC-720, "Each inmate shall be afforded an opportunity, one (1) time each week to purchase commissary." The Commissary Price List of items available for sale, including prices, is provided to inmates for purchasing purposes.</p>	<p>The Commissary Price List was not consistently updated to reflect Canteen System charged prices. Our procedures identified the following:</p> <ul style="list-style-type: none"> <li>• Commissary Price List does not denote Management's approval of price changes</li> <li>• 9 of 120 (8%) purchases examined had a price difference between the Canteen System and the Commissary Price List</li> </ul> <p>Without documentation of Commissary Management authorized price changes and reconciliation between the Commissary Price List and Canteen System prices, pricing differences may exist, accountability may be lost and improper or unauthorized prices could be charged.</p>	<p>Commissary Management should reconcile the current Commissary Price List with the Canteen System prices.</p> <p>In addition, Commissary Management should update the Commissary Price List each time the Canteen System has price changes.</p> <p>Furthermore, Commissary Management should maintain evidence of approved Price Lists.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	<p>Effective June 2015 the Commissary Price List was confirmed to be in synch with Canteen System prices. This price list will be reviewed quarterly by Commissary Manager, Bureau Major, and CFO. All three will sign and approve the list, and documentation will be maintained in the Business Office. This is another activity that will be turned over to a 3<sup>rd</sup> party vendor upon outsourcing of the Commissary operation (est. Jan 2016).</p>

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Price Listing		<i>We reported a similar issue in our previous audit reports titled, Sheriff's Office Jail Commissary, dated 2/21/14 and Sheriff's Office Jail Commissary, dated 11/15/13.</i>		
Taxable & Nontaxable Inventory Items	The Sheriff's Office operates a Jail Commissary to facilitate inmates' purchasing of food and other basic personal items. Texas Tax Code §151 requires that tax be collected on the sale of state defined items. The Commissary relies on Texas Comptroller's publication, "Grocery and Convenience Stores: Taxable and Nontaxable Sales" for guidance in complying with the statute.	The Commissary does not have sufficient controls in place to ensure stated defined items requiring taxation are taxed. Our procedures identified that taxes were not being collected on 3 items ( <i>cocoa butter lotion, ladies' antiperspirant &amp; men's antiperspirant</i> ) in accordance with Texas Tax Code §151, the Texas Comptroller's guide "Grocery and Convenience Stores: Taxable and Nontaxable Sales" and Senate Bill 1151, which defines tax requirements for the items sold in the Commissary.	Commissary Management should review each Commissary item to be sold with the Texas Comptroller's guide "Grocery and Convenience Stores: Taxable and Nontaxable Sales" and recent Senate Bill 1151 to qualify taxable items. Commissary Management should also review their records to determine what the understated tax obligation is and pay the state accordingly.  In addition, the Commissary Price List should be revised to reflect the correct taxability for items out of compliance.	HCSO will arrange a meeting with the Auditor's Office in order to reach an agreement as to which items currently being offered for sale in the Commissary will require a tax status change, bearing in mind the Texas Comptroller's guide, as recommended by the Auditors. HCSO will then determine its obligation to the State (if any) and pay the tax accordingly. This is also an activity that will become the responsibility of a 3rd party vendor upon outsourcing of the Commissary operation (est. Jan 2016).

## ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p><i>(Continued)</i> Taxable &amp; Nontaxable Inventory Items</p>		<p>Improper application of taxes for items sold could result in inaccurate collection, reporting and payment of taxes.</p> <p><i>We reported a similar issue in our previous audit report titled, Sheriff's Office Jail Commissary, dated 11/15/13.</i></p>	<p>Since a similar issue was presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>	

## RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS

The risk matrix below presents the assessed level of risk or exposure identified during our procedures. Inherent risk relates to factors that because of their nature cannot be controlled or mitigated by management. Inherent risk includes factors such as legislative changes, number and dollar amount of transactions processed and/or complex nature of transactions. Control risks relate to factors that can be influenced or controlled by management. Controls such as policies and procedures, electronic or manual approvals, system security access, and separation of job responsibilities may be instituted by management in order to mitigate control risk. Control risk is assessed during the planning phase in order to establish the nature, timing, and extent of testing and at the conclusion of the engagement in order to incorporate actions taken to implement our recommendations. The overall risk considers a combination of inherent and control risks.

<b>Inherent Risk:</b>	<b>Control Risk:</b>		<b>Overall Risk:</b>
<input type="checkbox"/> High <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Low	Prior to Procedures  <b>Medium</b>	After Procedures  <b>Medium</b>	<input type="checkbox"/> High <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Low
<b>Type of Procedures:</b> Compliance Audit			
<b>Purpose:</b> The objective of the engagement was to examine the Commissary accounts pursuant to LGC.			
<b>Priority Rating:</b>	<b>Audit Recommendations:</b> Sheriff's Office Jail Commissary		
1	Business Office Management should strengthen their reviews of user access, including user account change requests and employee status changes to detect and correct missed deactivation of terminated, transferred or reassigned employees.  In addition, employee names or a unique employee identifier in the Canteen System should be entered exactly as the corresponding names or unique identifier in the IFAS employee master file. For example, in the IFAS employee master file, if the employee's name is listed as Michael Doe, and in the Canteen System the name is listed as Mike Doe, deactivation may not occur.  Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.		
Commissary Management and the Business Office Management should follow Policy 4.18, <i>Inmate Trust Fund</i>			

1	<p><i>Software Administration</i>, requiring maintenance of security levels and assignments, which should include completion of all applicable sections on the user security access request form to document proper approval for granting system access. Each form should be appropriately reviewed and approved by a Supervisor or Manager prior to providing system access.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Commissary and Sheriff’s Business Office Management should formalize and document periodic monitoring of both the QuickBooks and Canteen System audit logs. The document should identify the employee(s) monitored, the management level personnel responsible for monitoring the audit logs, and the types of transactions that are to be monitored. Improper activity exposed through the process should be effectively resolved in accordance with proper approved information technology security.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Business Office Management should edit the user accounts to “No Access” for employee terminations or transfers, without deleting user names from QuickBooks. The list of user names permits the system to associate transactions to system users, whether it is a current or former employee.</p> <p>Business Office Management should also monitor for “Unknown User” by running and reviewing the QuickBooks Audit Trail report after terminations and transfers of employees with access removed.</p>
1	<p>Business Office Management should implement a procedure to reconcile the balance from the reports to IFAS on a quarterly basis and should effectively reconcile the Commissary’s year-to-date reports (check register) to IFAS. Identified differences should be resolved timely to reflect accurate and complete recording of expenditures and costs.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Business Office Management should work with the Auditor’s Office Financial Accounting Management to develop and implement written procedures to ensure all checks voided in QuickBooks are timely voided in IFAS. These procedures should include maintaining a log of voided checks and reviewing them periodically to ensure they were recorded in IFAS.</p>
1	<p>Commissary Management should increase supervision of the disbursement process to verify that each disbursement is supported by an invoice, a matching receiving document and a matching PO prior to submitting for payment</p>

1	<p>Commissary Management should implement a process that permits for timely inventory counts and reconciliation of those counts to the Canteen System to produce an accurate final physical inventory report.</p> <p>Before the inventory, consider: 1) effective inventory organization; 2) proper inventory tagging; 3) using smaller count sheets; 4) proper lighting; and 5) adequate staffing.</p> <p>During or immediately after the inventory counts, update the Canteen System and run a system report to verify agreement with count-sheet totals before resumption of routine operations.</p> <p>Since a similar issue was presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Commissary Management should reconcile the current Commissary Price List with the Canteen System prices.</p> <p>In addition, Commissary Management should update the Commissary Price List each time the Canteen System has price changes.</p> <p>Furthermore, Commissary Management should maintain evidence of approved Price Lists.</p> <p>Since a similar issue was presented in previous audit reports, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Commissary Management should review each Commissary item to be sold with the Texas Comptroller’s guide “Grocery and Convenience Stores: Taxable and Nontaxable Sales” and recent Senate Bill 1151 to qualify taxable items. Commissary Management should also review their records to determine what the understated tax obligation is and pay the state accordingly.</p> <p>In addition, the Commissary Price List should be revised to reflect the correct taxability for items out of compliance.</p> <p>Since a similar issue was presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
<b>Priority Rating</b>	<ol style="list-style-type: none"> <li>1. <b>Implement immediately (30 – 90 days)</b> – Serious internal control deficiencies or recommendations to reduce costs, maximize revenues, or improve internal controls that can be easily implemented.</li> <li>2. <b>Work towards implementing (6 – 18 months)</b> – Less serious internal control deficiencies or recommendations that cannot be implemented immediately because of constraints imposed on the department (i.e., budgetary, technological constraints, etc.).</li> <li>3. <b>Implement in the future (2 – 3 years)</b> – Recommendations that should be implemented, but that cannot be implemented until significant and/or uncontrolled events occur (i.e., legislative changes, buy and install major systems, requires third party cooperation, etc.).</li> </ol>