



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#120376

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DATE: 06/30/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY SHERIFF'S COMMISSARY OPERATIONS FOR FISCAL YEAR 2014**

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 FY 2014.

BACKGROUND:

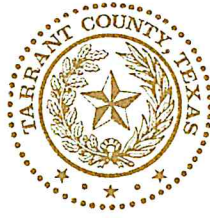
In accordance with Texas Local Government Code Section 351.0415, Commissary Operation by Sheriff or Private Vendor, the Auditor's Office examined the Sheriff's commissary operations for fiscal year ending September 30, 2014.

As required by Texas Government Code 511.016, the Auditor's Office forwarded the audit report and a Summary of Revenues and Expenditures of Jail Operations to the Texas Commission on Jail Standards on June 23, 2015.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor's Office	PREPARED BY: APPROVED BY:	S. Renee Tidwell
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TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
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CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
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June 17, 2015

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

Re: Auditor's Report – Commissary Operations, Fiscal Year 2014

SUMMARY

In accordance with Texas Local Government Code Section 351.0415, "*Commissary Operation by Sheriff or Private Vendor*", we examined the Tarrant County Sheriff's Office commissary operations for fiscal year 2014. 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, 2014. However, we found two observations that require management's attention:

- Observation 1 The Contractor did not remit 11 payments totaling \$498,591 by the 10th day of the month.
- Observation 2 Procedures related to inventory transferred to the jails were not adequate.

Attached is management's response.

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. 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.

The 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 (Contractor) as the primary vendor. The term of the original contract was May 1, 2010 through June 30, 2011 and allows for three additional 12-month terms, including continuation of services on a month-to-month basis. Per Court Order #116965 dated January 21, 2014, the contract was extended through June 30, 2014. Afterward, the contract is month-to-month.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 The Contractor did not remit 11 payments totaling \$498,591 by the 10th day of the month.

Background

The commissary contract signed between the Sheriff's Office and the Contractor states that the Contractor will pay Tarrant County the greater of 1) 36% of sales less sales tax paid and postal sales, or 2) \$960,000.00 per year. The Contractor further agrees to submit a guaranteed monthly minimum payment in the amount of \$80,000 by the 10th day of the month. Beginning the second month of operation, the Contractor will submit by the 10th day of the month any and all funds in addition to the guaranteed monthly payment that were collected during the preceding month if the sales based percentage exceeds the guaranteed monthly minimum payment for the preceding month.

Observations

The Contractor did not remit 11 payments totaling \$498,591 within the timeline specified by contract. Specifically:

1. One guaranteed monthly minimum payment in the amount of \$80,000 was not received by the 10th of the month. This payment was received 27 days late.
2. Ten payments totaling \$418,591 for the percentage of sales in excess of the guaranteed monthly minimum payment was not received by the 10th day of the month. Three of these payments were more than 30 days late.

Sheriff personnel discovered the late payments in January 2015 and met with the Contractor. The Contractor agreed to meet the contractual deadline. The contract relevant to FY2014 did not include terms specifying the assessment of fees, interest, and/or penalties as of result late payments. The new contract that was approved by Commissioners Court on January 15, 2015 includes terms stating that any payment received after the due date may be subject to late fees. No further recommendation is required.

Observation 2 Procedures related to inventory transferred to the jails were not adequate.

Background

Inventory purchased with commissary funds is stored in the Sheriff Commissary Warehouse located at the 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.

Observation

We selected 8 of the 19 types of items recorded in the Sheriff's commissary inventory as of March 12, 2015 and performed a physical count of each item. As a result, we found that the quantity counted for each item agreed with the current quantity recorded in SAP. However, we found that procedures related to inventory transferred to the jails were not adequate. Specifically:

1. Material orders were not always entered into SAP the same day the inventory was transferred to a jail. Only the warehouse manager has the ability to record material orders into SAP. Therefore, when this person took vacation or personal leave, orders were not entered into SAP on the same day the inventory was transferred to a jail. The warehouse manager entered the orders when she returned.
2. Documentation supporting the chain of custody of inventory transferred to and received by the jails did not exist. As a result, we could not determine whether the orders were correctly transferred to and received by the appropriate jail.


Recommendations

The Sheriff should ensure that the warehouse manager cross-trains another employee to record the transfer of inventory 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 3 years.

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, FY2014
Management Response from Sheriff Anderson
Letter to Texas Commission on Jail Standards

Distribution:

Alan Dennis, Executive Chief Deputy, Confinement
Mike Gravitt, Captain

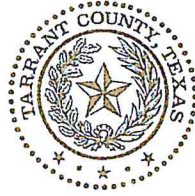
Audit Team:

Kim Trussell, Audit Manager
Matt Jones, Auditor

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

**Summary of Cash Receipts and Disbursements
Fiscal Year Ending September 30, 2014**

Beginning Fund Balance, October 1, 2013		1,785,973
Receipts:		
Commissary Income	\$ 1,489,367	
Auction Proceeds	257	
Interest Income	4,852	
Prior Year Reimbursement	110	
Total Receipts	<hr/>	\$ 1,494,586
Disbursements:		
Salaries & Benefits	\$ 664,011	
Bedding & Clothing	140,729	
Jail Indigent Supplies	79,829	
Capital	25,703	
Recreation	8,142	
Personal Hygiene	9,744	
Law Books	15,004	
Supplies	23,401	
Equipment	14,455	
Equipment Maintenance	11,191	
Subscriptions	6,077	
Telephone - Basic	960	
Professional Services	4,390	
Total Disbursements	<hr/>	1,003,636
Receipts Over Disbursements		<hr/> \$ 490,950
Ending Fund Balance, September 30, 2014		<hr/> <hr/> \$ 2,276,923



TARRANT COUNTY

OFFICE OF THE
SHERIFF

DEE ANDERSON
SHERIFF
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PLAZA BUILDING
200 TAYLOR STREET
SEVENTH FLOOR
FORT WORTH, TEXAS 76196-2001

June 22, 2015

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.

The Sheriff's Office understands the two recommendations included in the audit report. The first recommendation regarding late payments by the contractor has been resolved in the new contract as noted in the report.

The second issue of cross-training Deputies in the workings of the warehouse is a personnel/budget issue. We have no one available to assign to assist in that position to be trained in the warehouse operation. We will continue to study options to attempt to address the issue.

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



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CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
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June 23, 2015

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

Re: Tarrant County Sheriff's Commissary Operations, Fiscal Year 2014

As required by 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 the fiscal year ended September 30, 2014. As required by Texas Government Code, Chapter 511.016, *Commission on Jail Standards*, attached is a copy of the audit report dated June 17, 2015.

Since we have completed the FY2014 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,

S. Renee Tidwell, CPA
County Auditor

Attachments: Auditor's Report - Commissary Operations, FY2014
Commissary Operations, Summary of Cash Receipts and Disbursements
Jail Operations, Summary of Revenues and Expenditures

Distribution: Sheriff Dee Anderson
Alan Dennis, Executive Chief Deputy
Mike Gravitt, Captain

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

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

**Summary of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2014**

Revenues:

Prisoner Care	\$ 3,880.00	
Payphone Commission	1,065,000.00	
Total Revenues	<u>1,068,880.00</u>	<u>\$ 1,068,880</u>

Expenditures:

Salaries & Benefits	\$ 60,544,707	
Contracts	6,844,143	
Buildings	7,069,891	
Materials & Supplies	1,213,902	
Capital Outlay	23,190	
Court Costs	233	
Travel-Education	15,234	
Other	90,362	
Total Expenditures	<u>75,801,661</u>	<u>\$ 75,801,661</u>