



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#122776

PAGE 1 OF 8

DATE: 06/14/2016

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY SHERIFF'S COMMISSARY OPERATIONS FOR FISCAL YEAR 2015**

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 2015.

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 the fiscal year ending September 30, 2015.

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

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor's Office	PREPARED BY:	S. Renee Tidwell
		APPROVED BY:	



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

June 3, 2016

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

Re: Auditor's Report – Commissary Operations, Fiscal Year 2015

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 Fiscal Year 2015. 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, 2015. However, we found two observations that require management's attention:

- Observation 1 Controls over inventory purchased with commissary funds were not adequate.
- Observation 2 The Contractor did not remit six payments totaling \$195,318.65 by the 10th day of the month.

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 current contract is February 1, 2015 to January 31, 2016 and allows for four additional 12-month terms, including continuation of services on a month-to-month basis.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Controls over inventory purchased with commissary funds were not adequate.

Background

Inventory purchased with commissary funds is stored in the Sheriff's 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.

Observations

On January 21, 2016, we selected 10 of the 20 types of items recorded in the Sheriff's commissary inventory and performed a physical count of each item. We observed 6 out of the 10 items did not match the quantities recorded in SAP. This condition occurred because material orders were not always entered into SAP when inventory was transferred to a jail. For example, 23 televisions that were transferred to the jails since May 2015 totaling \$3,065.90 had not been recorded in SAP. We also observed the following:

1. Documentation supporting the chain of custody of inventory transferred to and received by the jails did not exist. Furthermore, the warehouse officer fills orders based on phone calls so there is no documentation supporting the order.
2. Documented procedures related to inventory purchased with commissary funds do not exist.

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

This condition was also included in the 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.

Observation 2 *The Contractor did not remit six payments totaling \$195,318.65 by the 10th day of the month.*

Background

The commissary contract states that the Contractor will pay Tarrant County the greater of 1) 36% of sales less sales tax paid and postal sales, 40% effective February 1, 2015, or 2) \$960,000 per year, \$1,500,000 per year effective February 1, 2015. The Contractor further agrees to submit a guaranteed monthly minimum payment in the amount of \$125,000 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.

Observation

The Contractor did not remit six payments totaling \$195,318.65 for the additional amounts in excess of the guaranteed monthly payment within the timeline specified by contract. Four of the payments were at least 15 days late.

According to the Sheriff's staff, they met with the Contractor in March 2015 to discuss the late payments. At that time, the Contractor indicated that they were under the impression that they could not pay the additional commission until it received all revenue from the subsequent month. The Contractor agreed to meet the contractual deadline. No further recommendation is required.

This condition was also included in the FY2013 and FY2014 Commissary Operations audit reports.

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, FY2015
Letter to Texas Commission on Jail Standards w/ Summary of Revenues and Expenditures

Distribution: Mike Gravitt, Captain

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

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

**Summary of Cash Receipts and Disbursements
Fiscal Year Ending September 30, 2015**

Beginning Fund Balance, October 1, 2014 \$ 2,276,922

Receipts:

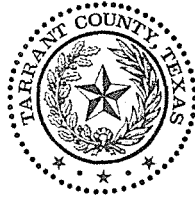
Commissary Income	\$ 1,570,466	
Auction Proceeds	403.75	
Interest Income	6,511	
Prior Year Reimbursement	-	
Total Receipts	<u> </u>	\$ 1,577,380

Disbursements:

Salaries & Benefits	\$ 692,909	
Bedding & Clothing	196,630	
Jail Indigent Supplies	72,918	
Capital	16,831	
Recreation	8,816	
Personal Hygiene	13,765	
Law Books	15,609	
Supplies	13,309	
Equipment	299	
Equipment Maintenance	9,420	
Subscriptions	5,743	
Telephone - Basic	960	
Professional Services	6,445	
Commissary Inventory Variance	81	
Total Disbursements	<u> </u>	\$ 1,053,736

Receipts Over Disbursements \$ 523,644

Ending Fund Balance, September 30, 2015 \$ 2,800,566



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

June 8, 2016

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

Re: Commissary and Jail Operations, FY2015

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, 2015. As required by Texas Government Code, Chapter 511.016, *Commission on Jail Standards*, attached is a copy of the audit report dated June 3, 2016.

Since we have completed the FY2015 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,

[REDACTED]
S. Renee Tidwell, CPA
County Auditor

Attachments: Auditor's Report - Commissary Operations, FY2015
Commissary Operations, Summary of Cash Receipts and Disbursements
Jail Operations, Summary of Revenues and Expenditures

Distribution: Sheriff Dee Anderson
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, 2015**

Revenues:

Prisoner Care	\$ 3,960	
Payphone Commission	1,030,000	
Total Revenues	<u>1,033,960</u>	<u>\$ 1,033,960</u>

Expenditures:

Salaries & Benefits	\$ 62,588,336	
Contracts	6,766,294	
Buildings	6,867,456	
Materials & Supplies	1,215,366	
Capital Outlay	55,218	
Court Costs	1,600	
Travel-Education	22,763	
Other	72,206	
Total Expenditures	<u>77,589,238</u>	<u>\$ 77,589,238</u>