



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#134253

PAGE 1 OF 15

DATE: 11/17/2020

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY SHERIFF'S COMMISSARY OPERATION FOR FISCAL YEAR 2018 AND FISCAL YEAR 2019**

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 2018 and FY 2019

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 operation for FY 2018 and FY 2019. Specifically, the Auditor's Office 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, 2019.

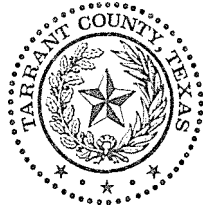
As required by Texas Government Code 511.016, the Auditor's Office forwarded the audit report and a Jail Operations Summary of Revenues and Expenditures for both years.

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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VINCE CRUZ JR.
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October 26, 2020

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

Re: Auditor's Report – Commissary Operations, FY2018 and FY2019

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 FY2018 and FY2019. 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, 2019.

The Sheriff's Office implemented the KeepTrak Software System, a new inmate banking system, in January 2018. The Sheriff's commissary vendor, Keefe Commissary Network (Keefe), exclusively supports KeepTrak, including system updates, security access, data storage, back up, and disaster recovery. Initially, there were significant differences identified during the reconciliation of the sales reports to the invoices. Through collaboration between the staff in Auditor's Office and the Sheriff's Office, significant improvements have been made.

We postponed the FY2018 Commissary Operations audit and combined with the FY2019 audit due to the implementation of the new system. As part of the audit, we tested financial controls over the new 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 the agreement. See Observation 2 for further detail. According to the Criminal District Attorney's Office, commissions from tablet services are considered commissary revenue under Texas Local Government Code 351.0415.

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

- Observation 1 Procedures related to access and segregation of duties of the KeepTrak software were not adequate.
- Observation 2 Procedures were not adequate to ensure compliance with the commissary agreement.
- Observation 3 Although significant improvements were made, procedures related to the controls over commissary inventory need additional improvement.

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 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. Friends and family can deposit money into the inmate trust account either at a jail lobby kiosk, online, or using a toll-free phone number thru the Keefe subsidiary, Access Corrections. In addition to sundry items, inmates may use funds to purchase usage time on tablets supplied by a third party vendor named Telmate. Friends and family may also purchase tablet time on behalf of the inmate through a third party vendor called Getting Out.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Procedures related to access and segregation of duties of the KeepTrak software were not adequate.

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 108 employees who had access to KeepTrack.

Observations

Procedures related to the access to KeepTrak software were not adequate as of December 20, 2019. We observed one user still had access to the software but was no longer employed by the Sheriff's Office. Since the software is web-based, the terminated employee still had the ability to access

KeepTrak. We communicated this issue, and management immediately terminated the employee's access.

With the assistance of Sheriff's Office management, we determined that some permissions granted to users are too broad. Specifically:

- 58 users had access to permissions that were not required for their job duties.
- 21 users had access to permissions that we could not be determined as appropriate since the vendor did not provide permission descriptions upon our request.
- 7 users in the money room had the ability to make deposits into inmate accounts, issue debit cards upon inmate release, write checks, and the void their own transactions.

During FY2018, we observed that users could void their own transactions. Furthermore, there was no independent review of voided transactions. Keefe did not provide adequate information for us to identify the users who could void their own transactions. The Sheriff's accounting staff began performing a review of voided transactions on a sampling basis during FY2019.

Recommendations

The system administrator(s) should ensure that access rights are immediately terminated when employees leave the Sheriff's Office.

We understand that the Sheriff's Office must transfer staff within the jail operation to respond to changing needs. However, we recommend the Sheriff's Office implement standardized procedures whereby a System Administrator performs a periodically review of access permissions and verify that the permissions align with the user's current job duties. This periodic review should be performed at least monthly.

We recommend that management consult with Keefe and request that system controls be implemented that will prevent individuals from voiding his/her own transactions. If this system control is not possible, we recommend that the Sheriff's accounting staff continue reviewing voids on a sample basis. This review should be documented and retained for a minimum of at least 2 years for verification during the statutory annual commissary audit.

Observation 2 Procedures were not adequate to ensure compliance with the commissary agreement.

Background

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

The Tarrant County Jail Inmate Services Agreement states, “*Vendor will not sell, assign, transfer, or convey any benefits or obligations of the services covered under this RFP without prior written consent of the Tarrant County Sheriff and the Tarrant County Commissioners Court.*”

The agreement also states that Keefe will pay Tarrant County the greater of 1) 41% of sales, less sales tax paid and postal sales, or 2) \$1,620,000 per year. The agreement also states that the Keefe 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.

Keefe remitted approximately \$2.2 million and \$2.6 million to the County during fiscal years 2018 and 2019, respectively.

Observations

Keefe contracted with Telmate, a third party contractor, to provide tablets and service for the inmates' use. As required by contract, staff did not provide written consent from the Sheriff and the Commissioners Court authorizing the assignment of these services upon our request. Sales derived from the tablets and service are not recorded in the KeepTrak system.

Inmates can transfer funds from their inmate trust account into an account specifically for the use of tablets. Furthermore, Telmate provides an application called Getting Out, as an alternative for friends and family to deposit funds via a website into an account specifically for the inmate's tablet use. These funds are *not* deposited into the inmate trust accounts held by the Sheriff's Office. Although Telmate provided some limited information regarding the inmates' use of the tables, we could not verify whether the commission from tablet services were remitted to the County in accordance with the terms of the agreement. Also, we could not verify that inmates were correctly charged for tablet services.

We also observed that sales reports generated from KeepTrak did not always match the invoices remitted to the Sheriff's Office. The Sheriff's accounting staff has collaborated with the Auditor's Office regarding differences between the sales reports and the monthly invoices, but there continues to be some differences. According to staff, these differences may be a result of sales batches not posting to the invoices.

Keefe did not always remit payments owed to the County on time. During the timeliness of payments received by the County during FY2018 and FY2019, we observed the following:

FY2018

- One of the 12 guaranteed commissions of \$135,000 was remitted to the County two business days late.
- Nine of 12 supplemental commissions averaging approximately \$33,000 per month were remitted to the County late. Five of the nine payments were 20 or more business days late.

- Five of 6 tablet commissions averaging \$23,000 were late. The commission remitted to the County for the first month was 74 business days late. The other four payments were between 8 and 11 business days late.
- Eight of 9 convenience fee commissions averaging approximately \$6,300 were remitted to the County late. One month was 57 business days late. The other 7 payments were between 1 and 15 days business late.

FY2019

- All 12 guaranteed commission payments during FY2019 were remitted to the County on time.
- Six of 12 supplemental commissions averaging approximately \$46,000 per month were remitted to the County late. One payment was 27 business days late. The other five payments were between 2 and 11 business days late.
- Three of 12 tablet usage commissions averaging approximately \$28,000 were up to 7 business days late.
- Two of 12 convenience fee commissions averaging approximately \$6,600 were both 11 business days late.

In accordance with the terms of the contract, Keefe is subject to late fees totaling \$6,097.34 during fiscal year 2018 and \$2,382.09 during fiscal year 2019.

Furthermore, documented policies and procedures do not exist regarding the monitoring of the timeliness of commissions.

Recommendations

In accordance with the terms of the agreement, we recommend the following:

1. The Sheriff and the Commissioners Court should provide written consent authorizing any assignment of services included in the agreement between Keefe and Tarrant County.
2. The Sheriff's accounting staff should continue to collaborate with the Auditor's Office regarding the differences between the sales reports and the monthly invoices.
3. The Sheriff's staff should ensure that Keefe remits payment for the guaranteed commissions by the 10th of each month and the commissions by the 15th of the subsequent month. Furthermore, the Sheriff should develop comprehensive procedures for monitoring the timeliness of commissions owed to the County, including any follow up with Keefe in the event of late payments.

Furthermore, the Sheriff's Office should invoice any late fees for payment received after the contracted due dates. The Sheriff's Office should invoice Keefe for late fees totaling \$8,479.43 for fiscal years 2018 and 2019.

4. As recommended in prior audit reports, the Sheriff's Office should develop comprehensive operating procedures for monitoring the timeliness of commissions owed to the County, including any follow up with Keefe in the event of late payments.

Observation 3 *Although significant improvement was made, procedures related to the controls over commissary inventory need additional improvement.*

Background

The Sheriff'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, 2018, commissary inventory totaled approximately \$33,000. As of September 30, 2019, commissary inventory totaled approximately \$50,000.

Observations

Although the Sheriff's Office made significant improvement, procedures related to controls over inventory purchased with commissary funds need additional improvement. Specifically, documentation supporting the chain of custody for inventory transferred to and received by the various jail locations does not exist. We selected 15 items recorded in SAP as of February 20, 2020 and performed a physical count of each item. Four low value items did not match the inventory recorded in SAP.

As recommended in the FY2017 commissary audit, documented procedures related to inventory purchased with commissary funds still do not exist.

Recommendations

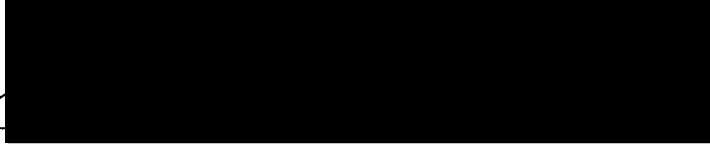
As recommended in prior audit reports, documentation should exist that shows the chain of custody of inventory. For example, the person receiving the inventory should sign a document affirming the items were received. In accordance with the County's records retention schedule files with the State of Texas, inventory documentation should be maintained at least for the current fiscal year plus three years. The Sheriff's Office should also continue to ensure that physical inventory reconciles to SAP.

Management should develop documented procedures related to commissary inventory. These procedures should require a periodic inventory, i.e. monthly or quarterly, to reconcile the physical inventory to the inventory balances recorded in SAP. Any differences should be researched, resolved, and reconciled to SAP.

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, FY2018
Commissary Operations – Summary of Cash Receipts and Disbursements, FY2019
Management Response from Sheriff Waybourn
Letter to Texas Commission on Jail Standards w/ attachments

Distribution: David McClelland, Chief of Staff, Administration
Randy Cundiff, Executive Chief Deputy, Confinement
Charles Eckert, Chief, Confinement
Donnie Denton, Captain, Confinement

Audit Team: Kim Trussell, Audit Manager
Steve Watson, Senior Auditor
Ky J. Stafford, Internal Auditor

**TARRANT COUNTY SHERIFF'S OFFICE
 COMMISSARY OPERATIONS
 SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
 FISCAL YEAR ENDING SEPTEMBER 30, 2018**

Beginning Fund Balance, October 1, 2017 **\$ 3,661,757**

Receipts:

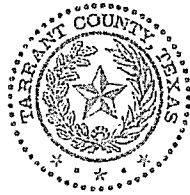
Interest Income	59,264	
Commissary Income	2,198,718	
Auction Proceeds	490	
Total Receipts		\$ 2,258,473

Disbursements:

Salaries & Benefits	\$ 1,250,089	
Supplies	17,411	
Jail Indigent Supplies	32,976	
Inventory Variance	(247)	
Commissary Inventory Variance	(31)	
Bedding and Clothing	279,431	
Personal Hygiene	57,944	
Equipment	8,494	
Subscriptions	5,363	
On-Line Service	17,969	
Equipment Maintenance	26,372	
Telephone-Basic	895	
Data Transmission Line	1,363	
Building Maintenance	22,924	
Non-Tracked Equipment	56,508	
Professional Services	31,310	
Canine Expense	3,733	
Recreation	5,385	
Education	2,571	
Asset Depreciation	110,849	
Total Disbursements		\$ 1,931,308

Receipts Over Disbursements **\$ 327,165**

Ending Fund Balance, September 30, 2018 **\$ 3,988,922**



TARRANT COUNTY
OFFICE OF THE
SHERIFF

Bill E. Waybourn
Sheriff
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PLAZA BUILDING
200 TAYLOR STREET
SEVENTH FLOOR
FORT WORTH, TEXAS 76196

October 26, 2020

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

RE: Response to Auditor's Report – Commissary Operations, FY 2018 and FY 2019

Ms. Tidwell:

I would like to thank you and your audit team for such a thorough review of the commissary operations. We always look for ways we can be more efficient and provide better service to the citizens of Tarrant County as well as the inmates we are charged with caring for.

Regarding your first observation, thank you for bringing this to our attention. I will review your recommendations with my Detention team and we will work to implement procedures to better maintain separation of duties. We will also look at policies we can put in place that will ensure our teams duties and our current staff are accurately reflected in the Keefe system.

Regarding your second observation. While we believe that commissioners court has approved the agreement between Keefe and Telmate, we are happy to work with the court to update the description of the relationship and what is offered through this relationship.

Furthermore, we will work with our accounting team, your office, and Keefe to ensure that all payments from Keefe are made in a timely manner.

Regarding your last observation. We are hoping that our new jail management system will include software for inventory management allowing us to better and more accurately track inventory chain of custody. I will also ask my Detention team to work on policies and procedures to deal with commissary inventory as you suggest.

Again, I would like to thank you and your entire team for all the hard work that goes into these audits and for the recommendation that you are making in this commissary operations

audit. I look forward to working with you and your team in the coming years as we implement as many of these recommendations as possible.

At Your Service,



BILL E. WAYBOURN
SHERIFF
TARRANT COUNTY, TEXAS



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November 3, 2020

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

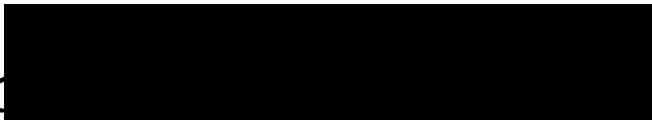
Re: Tarrant County Commissary and Jail Operations, FY2018 and FY2019

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 years ended September 30, 2018 and September 30, 2019. As required by Texas Government Code, Chapter 511.016, *Commission on Jail Standards*, attached is a copy of the audit report dated October 26, 2020.

Also attached are the Jail Operations Summary of Revenues and Expenditures reports for both fiscal years. These amounts were reported in the Comprehensive Annual Financial Report (CAFR) and were audited by Tarrant County's independent auditors.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachments: Auditor's Report – Commissary Operations, FY2018 and FY2019
Jail Operations, Summary of Revenues and Expenditures, FY2018
Jail Operations, Summary of Revenues and Expenditures, FY2019

Distribution: Bill Waybourn, Sheriff
David McClelland, Chief of Staff
Randy Cundiff, Executive Chief Deputy, Confinement
Charles Eckert, Chief, Confinement
Donnie Denton, Captain, Confinement

Audit Team: Kim Trussell, Audit Manager
Steve Watson, Senior Internal Auditor
Ky J. Stafford, Internal Auditor

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

**Summary of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2018**

Revenues:

Prisoner Care	\$	6,520
Payphone Commission		1,030,000
Social Security Incentive		68,400
MHMR		2,949,852
LEOSE Education Funds		<u>18,834</u>

Total Revenues

\$ 4,073,606

Expenditures:

Salaries & Benefits	72,188,193
Contracts	7,947,814
Buildings	7,731,131
Materials & Supplies	1,341,674.00
Capital Outlay	24,613
Court Costs	1,335
Travel-Education	35,930
Other - Vehicle Maint. and Fue	<u>69,718</u>

Total Expenditures

\$ 89,340,408

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

**Summary of Revenues and Expenditures
For the Fiscal Year Ended September 30, 2019**

Revenues:

Prisoner Care	\$	5,920
Payphone Commission	\$	1,030,000
Social Security Incentive	\$	30,600
MHMR	\$	3,348,833
LEOSE Education Funds	\$	<u>9,610</u>

Total Revenues

\$ 4,424,963

Expenditures:

Salaries & Benefits	76,329,532
Contracts	8,955,470
Buildings	7,871,745
Materials & Supplies	1,432,142
Capital Outlay	36,688
Court Costs	883
Travel-Education	28,468
Other - Vehicle Maint. and Fuel	<u>76,205</u>

Total Expenditures

\$ 94,731,134