



**DALLAS COUNTY**  
**COUNTY AUDITOR**

**Memorandum**

**To:** Honorable Lupe Valdez  
County Sheriff

**From:** Darryl D. Thomas *Darryl D. Thomas*  
County Auditor *DDT*

**Subject:** Review of Statutory Reporting and Compliance – FY 2015

**Date:** Issued: June 14, 2017  
Released: October 12, 2017

**SCOPE**

A review was performed in accordance with statutory guidelines on the financial records and reports of the Sheriff's Department for Fiscal Year 2015.

**REVIEW PROCEDURES**

Standard review procedures were followed to test the internal controls for cash, disbursements, revenue and other county assets. A random sampling of the total activity was selected for certain review steps based on risk, the dollar value of transactions, the volume of transactions, and noted internal control weaknesses.

A partial list of the review tests includes:

- Accounted for numerical sequence of manual and computer generated receipts
- Performed unannounced and scheduled cash counts
- Reviewed Prisoner Trust Fund activities
- Reviewed intake and release procedure and traced inmate's record to the Adult Information System (AIS)
- Reviewed billings and collections for contract services
- Reviewed Commissary Fund activities
- Reviewed bail bond collateral, bond fee, fax fee, re-Arrest fee and bond activities
- Reviewed monthly Cost Data Reports and National School Lunch Program (NSLP) billings and bids on grocery contract for compliance with statutes
- Reviewed control over vehicle parts inventory received from Automotive Service Center (ASC)
- Reviewed assessed fees and commissions for compliance with applicable Commissioners Court orders
- Reviewed Law Enforcement Officer Standards and Education Fund (LEOSE) account disbursements
- Reviewed time and attendance records for proper posting and compliance with County policies and procedures

**FINDINGS**

**Cash Management/Fiscal Management**

Cash Counts – Cash counts were performed periodically and reflected generally adequate cash controls. Exceptions included: one receipt issued from a check stub; one receipt issued from the check's numeric amount rather than the legal written amount; and one counterfeit bill not detected at the point of receipting.

*(Status: Counterfeit bill shortage resolved by Internal Services Fund reimbursement and two replacement checks received from customers.)*

Receipts – A sample review of 108 manual receipts and 14,333 County-Wide Receipts (CWR) including 194 cancelled/voided CWR receipts revealed: one complete manual receipt book issued to the Sheriff ID Department containing 150 receipts could not be located; seven manual receipt books issued to the Sheriff Civil Department containing 1,041 receipts could not be located; one form 44-A manual receipt totaled \$114.92 less than the check plus cash amounts listed on the receipt; and numerous CWR receipts voided and not re-issued or re-issued for a lower amount. A review of receipt control procedures revealed: 34 computer receipts voided by the same employees who issued the original receipts; and, two CWR receipts voided and reissued as complimentary receipts. Customers are routinely charged \$2 for a bond receipt copy, \$10 for ID replacement, and \$5 for an Incarceration Letter without inclusion on a schedule of fees approved by Commissioners Court.

AIS Management & Billings – A sample review of monthly inmate agency billings and receivables revealed: twenty-three inmates with U.S. Marshal holds not billed to the agency for a total of 544 days the inmates spent in the county jail, including when another agency had a hold on the inmate or in conjunction with an Immigration hold; and, instances where the agency billed did not agree to the book-in agency per AIS.

Commissary Account – A review of Commissary account revenue and expenditures, general ledger reports, and billing processes and procedures of the operations account in accordance with Government Code, § 511.016 revealed: inadequate supervisory review of expenditure codes on requisition prior to submission to Purchasing resulted in multiple coding errors requiring correcting journal entries totaling \$47,212.19. *Status: Journal entries have been submitted and corrections have been processed by Financial Audit.*

Prisoner Trust Fund (PTF) – A sample review of PTF activity revealed: two inmates were given cash instead of issued a debit card, despite having a balance over \$30 in their prisoner trust account; copies not retained of disbursements inhibiting ability to verify the second authorizing signature on the check; and 989 inactive inmate accounts totaling \$9,215.42 and a \$206.15 credit balance remain outstanding as of May 15, 2017 (periodic review is not completed for purposes of escheating funds). Disposition of previously reported inactive accounts was not determined.

Bond Collateral – A sample review of the deactivated bondsman, attorney accounts, and insurance company certificates & power of attorney documentation revealed: one Certificate of Authority not found was obtained and placed in the surety's file on May 9, 2017 after the field work date.

Fax and Bond Fee Programs – A sample review of billing summaries/statements, invoices, fax date/time stamps, and receipts revealed: no instances of material non-compliance.

Re-Arrest Fee – Re-Arrest fees are not billed on misdemeanor cases and there is limited billing and recovery for felony cases. \$115,086.01 in re-arrest receivables were outstanding as of 9/30/2015 with the oldest receivable dating to September 2003. All re-arrest receivables were aged greater than 90 days. Payments received for re-arrest fees are incorrectly deposited as a credit to expense against Sheriff Fugitive section business travel. *Status: Fugitive section developed a tracking process in order to recover more re-arrest costs. Discussions with various departments and courts resulted in decision to incorporate re-arrest costs in judgments after conversion to the new criminal system.*

Commission Calculations – A sample review of commission calculations and collections on 15 writs of execution or orders of sale for compliance with Commissioners Court approved rates revealed: instances of calculation errors including interest calculated on non-sale collections using the Sheriff's auction date (first Tuesday of every month) rather than the actual collection date.

Attorney General (AG) IV-D Billings – A sample review of AG IV-D monthly billings revealed: one instance where the amount collected or payment information was not entered on the Sheriff's Civil System (SCS) though receipted to CWR and deposited with the County Treasurer; and two instances where the paper typed billed to the AG differed from the paper type posted the SCS.

Sheriff's Special Fund Account No. 505 – A sample review of Special Fund Account No. 505 activity revealed: one disbursement for \$236.60 not made payable to the correct payee.

Law Enforcement Officer Standards and Education Fund (LEOSE) – A sample review of LEOSE deposits and disbursements revealed: annual LEOSE Funds received from Texas Comptroller of Public Accounts deposited into non-County bank accounts; five reimbursements included tips for gratuity paid at amounts exceeding County maximum reimbursement rate of 20% totaling \$9.86; one employee reimbursement for \$135 more than amount reflected on itinerary for registration fees (reportedly employee paid for self and two other employees; however, no documentation to support payment by employee was available for review); one expense report for \$500 disbursement for canine encounter training could not be located in the Sheriff's office files; one reimbursement amount exceeded signed expense report by \$24.44; and \$390 was paid for nine membership fees.

## **OTHER**

NSLP Reports – A review of the Sheriff's Monthly Cost Data Reports, NSLP billings and General Ledger revealed: instances where the reports and NSLP billings contained incorrect utility and transportation costs; salaries, wages, and benefits were annualized and averaged rather than actual monthly costs; and, inmate food costs calculations exclude indirect and direct costs such as kitchen utensils and preparation supplies.

Bids on Grocery Contracts – A sample review of vendor bids and bid evaluations on grocery contracts awarded by Sheriff Cook-Chill buyers revealed: limited instances of bid tabulations errors; and limited instances of evaluation errors resulting in items not awarded to the lowest bidder.

A review of auto equipment and property accident reports, Kronos Time Management System (Kronos), and a sworn affidavit of an Internal Affairs Deputy regarding a vehicular accident on 12/27/16 revealed: the Internal Affairs Deputy used county vehicle FI527 to perform non-county related personal activities during county work time, in conflict with personal use limitations established by Dallas County Code Section 90-129.

Evidence Room – A sample review of the evidence room case files, evidence tags, and a review of evidence room procedures revealed: two barcode numbers for evidence listed on the evidence report did not agree to the barcode labeled on the evidence.

***Status:** Sheriff's Office replaced the barcode on the evidence for both cases with the barcode number listed on the evidence report.*

## **RECOMMENDATIONS**

### **Cash Management**

Cash Counts/Receipts – Cash tendered should be counted in the presence of the customer prior to the generation of the receipt. Re-emphasize verification of receipt amount before issuing to a customer and retention of all copies of a void receipt, clearly marking "void" and affixing a reason for the void (entry of reason code for voided receipts in the CWR system). Emphasize rejection of all checks were the written legal amount and numeric amount do not match. Establish separation of duties limiting cancellation/void of



CWR to supervisory staff and no user should void their own issued receipt. In addition, submit a schedule of fees for approval by the Commissioner's Court.

**Management Response:** *Agree. The two cash shortages cited were resolved timely by the Department. The copy fees charged are set by the Dallas County Sheriff's Office Legal Advisor based upon open public records requests.*

**AIS Management & Billings** – Billing procedures should include reconciliation between AIS book-in reports and system generated contract billings with periodic review by supervisory personnel to determine accuracy and timeliness of billings. Maintain a control log to verify payments received with amounts billed. Valid current contracts should be on file with payments due in accordance with contract terms.

**Management Response:** *Agree. We use an automated billing system created out of the AIS System. We have contacted Dallas County IT for assistance with the completeness of the programming.*

**Commissary Account** – Supervisory personnel should review all requisitions for appropriateness and accuracy including usage of correct General Ledger expenditure codes. Commissary funds should only be used as authorized by Local Government Code, § 351.0415(c).

**Management Response:** *Agree. Many of the account coding's corrected were following the same coding used for identical transactions within the Dallas County General Fund. Steps have been put in place to prevent re-occurrence.*

**Prisoner Trust Fund (PTF)** – Abandoned property (inactive inmate commissary accounts and outstanding checks dated three years or more as of March 31<sup>th</sup> cut-off) should follow the guidelines of Property Code, Chapter 76. Consider issuing funds to inmates with a balance over \$30 in their prisoner trust account via a debit card instead of cash.

**Management Response:** *Agree. Regarding the two instances cited, one was for \$213.50 and we believe the system was down on that day to prevent generating a debit card. The second example can't be explained. As far as the limitations to verify the second authorizing signature of 80 checks, the procedure has been remedied to prevent re-occurrence. In addition, we are now writing "void" on all checks as well as noting the reasons for the void.*

**Bond Collateral** – Continue current process of CD collateral verification with banking institutions in conjunction with proof of CD existence provided by bondsman/attorney.

**Management Response:** *Disagree. All items were explained by Sheriff's Deputy.*

**Auditor's Comments:** *The Sheriff's Office did not provide documentation to support removing this finding from the report.*

**Re-Arrest Fee** – Assess re-arrest expenses as authorized by statute and DCBBB procedures and rules. Provide re-arrest fee information to the District Attorney's office for inclusion in a motion to the court prior to final bond forfeiture judgments. Deposit fees collected as revenue.

**Management Response:** *Disagree. All items were explained by Sheriff's Deputy.*

**Auditor's Comments:** *The Sheriff's Office did not provide documentation to support removing this finding from the report.*

Commission Calculations - The commission calculation should include the judgment, interest, and attorney fees and the approved commission percentages and hourly rates as authorized by Commissioners Court. Interest on writ collections without a sale should be calculated using the actual date of collection.

**Management Response:** *The Civil Department has been disbanded so there isn't a way to corroborate the findings or to strive for future improvements.*

**Auditor's Comments:** *Sheriff Writ deputies continue to perform sales of real property as of now.*

Attorney General (AG) IV-D Billings – Continue to assess, bill, and collect service fees on all IV-D papers based on State laws, Commissioners Court orders, etc.

**Management Response:** *None*

Sheriff's Special Fund Account No. 505 – Disbursements should be issued for the correct amount to the proper payee in a timely manner. The special fund control ledger should be periodically reviewed and reconciled to the Oracle general ledger by supervisory personnel.

**Management Response:** *Agree. We are now writing "void" on all checks as well as noting the reason for the void. In addition, the procedure has been remedied to prevent occurrence. Check copies must be present for the Treasurer's Office to process the void request.*

Law Enforcement Officer Standards and Education Fund (LEOSE) – Expenditures should comply with Occupations Code, § 1701.157 and be limited to continuing education purposes. LEOSE funds should be requested annually and deposited in the County depository bank in accordance with Attorney General Opinion No. GA-0869.

**Management Response:** *Agree. In the future the TCLEOSE rules for travel reimbursement will totally mirror the County Travel Policies. On a future basis, membership fees will not be paid out of the Education Fund.*

## **OTHER**

NSLP Reports – Develop a corrective action plan delineating procedures for Meal/ Production/Grocery Cost reports and NSLP billings including inventory values, meal counts, grocery cost, utility costs, labor, transportations costs, food preparation supplies, allocation of asset depreciation, and indirect costs. Allocate Juvenile transportation costs including gas, oil, and maintenance and vehicle depreciation at the IRS standard mileage rates. Coordinate the receipt of all utility bills from Facilities Management in a timely manner in order to include actual costs on the NSLP billings.

**Management Response:** *Agree. Items are in reference to Government Assistance funding Cook Chill helps the Dallas County Juvenile Department apply for. Even though the citing reference methodology employed in filing for the funding is being questioned, it should be noted that it has not impacted the funding Dallas County has received. The County has received the maximum allowable under the program.*

Bids on Grocery Contracts – Pursue an automated process/system for bid selection. Open the bid process to all vendors to increase costs savings. Update bid/quote procedures including supervisory review prior to award.

**Management Response:** *Agree. Per department, vendors who submitted bids did not meet state department requirements and product was ordered due to previous experience with the vendor.*

Evidence Room – Assign a unique barcode to each specific evidence item. Conduct periodic inventory counts of evidence and ‘found’ property.

**Management Response:** *Agree. Inventory software has been purchased with bar code scanning capabilities to mitigate either instance from re-occurring.*

## **SUMMARY**

The report is intended for the information and use of the department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.

Priority areas of risk which need to be addressed include: establishing proper receipt controls including retention of all voided receipts; clearing of old Prisoner Trust Fund and Special Fund balances; and, using LEOSE funds in accordance with statutes.

Development and implementation of a corrective action plan addressing the recommendations should provide for improved internal control over departmental processes and compliance with Dallas County policies and procedure and state statutes.

Cc: Darryl Martin, Commissioners Court Administrator  
Ryan Brown, Director OBE