



# AUDIT REPORT

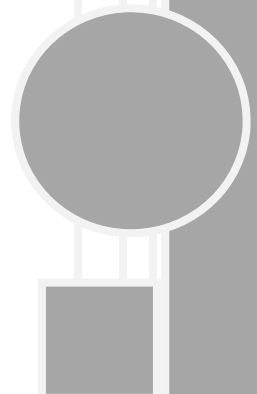
DALLAS COUNTY

FY2021- Sheriff Inmate Trust Fund (Special Audit)

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Dallas County Auditor

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# FY2021- Sheriff Inmate Trust Fund (Special Audit)

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This report is intended for the information and use of the agency/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



**DALLAS COUNTY**  
COUNTY AUDITOR

**MANAGEMENT LETTER**

Honorable Marian Brown  
Dallas County Sheriff  
Dallas, Texas

Attached is the County Auditor's final report entitled "FY2021- Sheriff Inmate Trust Fund (Special Audit) " Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

*Darryl D. Thomas*

Darryl D. Thomas  
County Auditor

## EXECUTIVE SUMMARY

A special audit review was performed in accordance with statutory guidelines on the financial records and reports of the Sheriff's Department Inmate Trust Fund Account for Fiscal Year 2015 through March 2021 as requested by the Sheriff's management staff. Priority areas of risk which need consideration by management are:

### Summary of Significant Observations:

- **Debit Cards Issued in Excess of Inmates' Balance:** 306 debit cards, totaling \$699,993 were issued in excess of the inmates' Trust Fund account balance. **Status: The initial investigation by detectives with the Sheriff's Office is now forwarded to the Federal Bureau of Investigation (FBI) for further review.**
  - **On 7/27/21 a check for \$97,390.79 was received by Sheriff department from Rapid/Access corrections for the charges that were left on debit cards.**
- **Overdraft of Inmate Trust Fund Bank Account:** Management did not comply with Dallas County Policy Section 74-692 by notifying the Auditor's Office of the negative Inmate Trust Fund balance when the Fiscal Section received an account overdraft notification of (\$85,469.01) from the bank on 05/26/2020.
- **Inmate Trust Fund Reconciliation:** The total of inmate account balances in the Keefe Commissary Network (KCN) are not reconciled to the Bank of America bank statement and adjustments are made for timing differences in the KCN. **Previous audits of the Sheriff Department identified this issue and the department did not make changes to the reconciliation process.**
- **Inadequate Use of Keefe Commissary Network:** We observed the Sheriff's Department is not utilizing the complete accounting functionality of the KCN to track Inmate Trust Fund activity. The contractor did not provide KCN Inmate Accounting System user guides and training materials when requested by Internal Audit. The Sheriff's Department also did not have training materials from the contractor.
- **Destruction of Debit Cards:** There are no written policies and procedures for refunding, documenting, tracking, securely storing, reviewing, and destroying "damaged and defective" debit cards. Current documentation, storing, and destruction duties are performed by one person without management's review and segregation of duties.
- **Access to Inactive Inmate Account:** KCN Inmate Accounting System functionality and access privileges do not prevent users from conducting transactions on inactive accounts after inmates were released.
- **Fiscal Cash Log:** Fiscal does not keep a daily log to record and balance cash reimbursements transferred from the Fiscal safe to the Vault, "overages" from the Fiscal safe that are sent back to the BOA account, and cash held in the Fiscal safe at any given time. **Status: As of 3/5/2021, the CFO verifies the \$12,000 draws by initialing the Ledger Book next to the amount. Fiscal is tracking the amount of cash in the safe on a given day by logging cash inflows and outflows.**

- **Commingled Fund:** 14 instances in which the clerks used a total of \$4,449.63 from Inmate Trust cash held in the Fiscal Section safe to reimburse deputies for inmate transportation activities due to insufficient Fugitive Funds.

#### **Repeat observations from Previous Audits**

- **Inmate Trust Fund Reconciliation:** Monthly total of all inmate account balances in the Keefe Commissary Network (KCN) is not reconciled to the ending cash balance on the Bank of America bank statement and adjustments are made for timing differences in the KCN. **Previous audits of the Sheriff Department identified this issue and the department did not make changes to the reconciliation process.**
- **Inactive Inmate Accounts with Negative Balances:** Management did not research and resolve negative inmate balances on the Keefe Commissary Network Inmate Balance Report and adhere to the Vault and Inmate Property Section's Standard Operating Procedures.
- **Inactive Accounts with Balances:** Management did not adhere to the Vault and Inmate Property Section's Standard Operating Procedures and review inactive inmate account balances on the Keefe Commissary Network Inmate Balance Report to return or escheat abandoned and unclaimed money.
- **Inadequate Use of Keefe Commissary Network:** The Fiscal Section is not sufficiently staffed with personnel who possess the requisite knowledge to detect material account balances and reconcile general ledger accounts. Additionally, the KCN Inmate Accounting System is not adequately configured for the appropriate linking of general ledger accounts.

**Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.**

## INTRODUCTION

**Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:**

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of January 2015 through March 2021.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS**Debit Cards Issued in Excess of Inmates' Balance**

We reviewed debit card transactions posted to the Keefe Commissary Network (KCN) Inmate Accounting System, transferred via Keefe Group Inc.'s Secure Release, and withdrawn per Bank Statements between 11/01/2015 - 03/19/2021 and identified 306 debit cards, totaling \$699,993 were issued in excess of the inmates' account balance. **On 7/27/21 a check for \$97,390.79 was received by Sheriff department from Rapid/Access corrections for the charges that were left on debit cards** Status: The initial investigation by detectives with the Sheriff's Office is now forwarded to the Federal Bureau of Investigation (FBI) for further review.

- In some instances debit cards were loaded/ funded on inmate's inactive accounts after the inmate was released from jail.
- Amounts withdrawn from debit cards at various locations are included in the transaction activity reports for some cards.
- In other instances the debit cards with loaded/funded cash balances were charged fees by the vendor.
- To date the Inmate Trust bank account has not been refunded for the loss.

Per the Keefe Commissary Network Service Agreement, (Commissioner's Court Order 2019-256), the contractor shall provide a complete computerized inmate accounts system, including all hardware and software, train Dallas County Sheriff personnel, provide documentation and provide a toll free 24 hour emergency "hot line" to insure maximum utilization and minimal down time of system. The Contractor shall provide continuing support for the software and hardware throughout the length of the contract. Contractor support shall include, correcting program and system problems plus updates and enhancements to the software. All support and enhancements are to be provided at no charge to Dallas County throughout the Term or Extension of this Agreement. In the event an audit by the County reveals any errors, overpayments, disallowed cost or expense, the County shall notify the Contractor in writing of the disallowance and the required course of action. At the option of the County, the County may either adjust any future claim submitted by the Contractor by the amount of the disallowance, cost of the audit, and any applicable damages or require repayment of the disallowed amount, the cost of the audit, and any applicable damages by the Contractor issuing a check payable to Dallas County within thirty (30) days of notice. If any audit reveals any material deviation from the service and specification requirements of this Agreement, any misrepresentation, disallowed cost or expense, errors, overpayments, or any overcharge to the County, the County will be entitled to recover damages, as well as the cost of the audit." An "Authorization to Close and Refund Prepaid Card Balances" form must be completed to refund loaded/ funded debit cards prior to destruction. Per Local Government Code, § 351.0415b, the Sheriff or the Sheriff's designee: (1) has exclusive control of the commissary funds; and (2) shall maintain commissary accounts. Per the Vault and Inmate Property Section's Standard Operating Procedures, the Vault is responsible for the storage and release of



inmate property, and the deposit and withdrawal of the Inmate Trust fund to minimize the loss or liability to the Sheriff's Department and Dallas County.

The Inmate Accounting System allowed Vault personnel to load/ fund debit cards (a cash decrease to the inmate's account), then post a "Debit Card Err" (Debit Card Error) that reversed the debit card transaction (a cash increase to the inmate's account); however, the "Debit Card Err" option did not refund money previously loaded/ funded on debit cards from an inmate account. **Status: The "Debit Card Err" option was inactivated on 3/26/2021 by the vendor at the recommendation of the County Auditor and request of the Sheriff's Department.** The vendor stated there is a separate selection option to void transactions. Training for the Inmate Accounting System was last provided in 2006 to Dallas County, but the system has experienced several upgrades including removing debit card dispensers from Book-Out in favor of card scanners. A user guide to the KCN Inmate Accounting System has not been provided to Dallas County. An "Authorization To Close and Refund Prepaid Card Balances" form was presented to management at a 03/26/2021 meeting with the Keefe Commissary Network (KCN) vendor, but was not utilized prior that date. Management did not follow up to ensure loaded/ funded debit cards were refunded to the bank, and review Debit Card Err" events on KCN reports to assess appropriate usage. There is not a reconciliation of all inmate account balances in the KCN to the Inmate Trust bank account balance. The Fiscal Section is not sufficiently staffed with personnel who possess the knowledge to detect potential risk exposures. Management does not have written policies and procedures for properly voiding "damaged and defective" debit cards. This resulted in at least \$699,993 loaded on 306 debit cards as of 3/19/2021 and a material difference between the total of all Inmate Trust balances and available cash in the Inmate Trust bank account.

**Recommendation**

Debit Cards Issued in Excess of Inmates' Balance

Management should make the following corrective actions:

- Request reimbursement from the Keefe Group in compliance with Commissioner's Court Order 2019-256.
- Review KCN Inmate Accounting System specifications with the vendor to ensure debit cards are appropriately voided.
- Review user roles in KCN to ensure elevated access privileges to post adjustments and reverse entries are limited and controlled.
- Request the vendor provide training and user guides to the KCN system and all of its features.
- Ensure that "damaged and defective" debit cards are voided in the KCN system in accordance with the vendor's user guidelines.
- Require that an "Authorization to Close and Refund Prepaid Card Balances" must be completed to refund loaded/ funded debit cards.
- Follow up on debit card refunds and verify money was returned to the Inmate Trust Bank Account.





- Immediately begin reconciling the total of all inmate account balances in the KCN system to the ending Bank of America cash balance.
- Sufficiently staff the Fiscal section with personnel who possess the requisite knowledge.
- Review KCN Inmate Accounting System reports to detect "Debit Card Err" events and other transaction anomalies.
- Write policies and procedures for properly voiding "damaged and defective" debit cards, following up on debit card refunds, and reviewing KCN reports.

### **Management Action Plan**

Auditor's Office recommendations are noted. KCN's account representative trained Vault employees & Vault Accountant in Dallas Facility couple of times earlier in 2021. Written policies and procedures are in place for damaged and defective card destruction. The 'Debit Card Err' code has been disabled and no more available to clerks or Supervisors to use. Refund request procedure is in place. An Accountant IV position is approved by OBE in FY22 budget. Requested Dallas County Auditor's Office for assistance to reconcile inmate account balances in KCN system to the ending Bank of America cash balance.

### **Auditors Response**

- The reconciliation of the inmate account balances should be a collaboration between Keefe and the Sheriff's Fiscal staff. The Dallas County Auditor's Office will review the reconciliation process upon completion.

### **Destruction of Debit Cards**

We walked through the process for destroying "damaged and defective" debit cards on 3/19/2021 and identified:

- The Vault does not keep a record of "damaged or defective" debit cards sent to Fiscal for destruction.
- "Damaged and defective" debit cards sent from the Vault to Fiscal are stored in a plastic container on top of a clerk's desk and shredded only when the container is full.
- A clerk was able to activate a "damaged and defective" debit card for \$100.43 in the employee's custody after calling the phone number on the back of the card and entering the pin.
- Prior to destruction "damaged and defective" debit cards are logged on a Certificate of Destruction Log by a clerk without management review.
- There is no documentation to support debit cards are destroyed or shredded in the presence of another witness.



An "Authorization to Close and Refund Prepaid Card Balances" form must be completed to refund loaded/ funded debit cards prior to destruction. A destroyed debit cards log must be completed and submitted to Rapid Financial for destroyed and voided debit cards, per the Rapid Financial Solutions (Keefe's third party vendor) Service organization Control (SOC) 1, Type II Report dated 2/25/2021. As a best practice debit cards and monetary instruments should be locked in a safe and secure location, with access limited to privileged personnel. Management should verify "damaged and defective" debit cards are inventoried, agree to Keefe Commissary Network "void" events, are recorded on the Destruction Log, and then witness their destruction.

The "Authorization to Close and Refund Prepaid Card Balances" was presented to management at a 03/26/2021 meeting with the Keefe Commissary Network (KCN) vendor, but was not utilized prior to that date. Management would instead submit a Certificate of Destruction Log for destroyed debit cards in an e-mail to the Client Relations Manager at Rapid Financial. Management did not timely and consistently destroy debit cards, but rather allowed them to accumulate on a clerk's desk. There are no written policies and procedures for refunding, documenting, tracking, securely storing, reviewing, and destroying "damaged and defective" debit cards. Current documentation, storing, and destruction duties are performed by one person without management's review and segregation of duties. Debit cards with loaded/funded cash balances were destroyed. A lack of management review, segregation of duties, physical access to unsecured and active debit cards, written policies and procedures, gaps in the chain of custody, and inventory of "damaged and defective" debit cards create gaps in the audit trail and increase the risk that assets may be misappropriated.

**Recommendation**

**Destruction of Debit Cards**

Management should make the following corrective actions:

- Complete an "Authorization to Close and Refund Prepaid Card Balances" form to refund loaded/ funded debit cards.
- Ensure debit cards are refunded to the Inmate Trust bank account prior to destruction of the debit card.
- Inventory all debit cards located in the Vault Section.
- Require the Vault to record and log all "damaged or defective" debit cards sent to Fiscal.
- Ensure another employee agrees "damaged or defective" debit cards removed from inventory to the Vault's log and debit card transactions/events on KCN reports.
- Secure "Damaged and defective" debit cards in the Fiscal safe until destruction.
- Ensure management reviews and agrees "damaged and defective" debit cards to the Vaults Log and Certificate of Destruction Log prior to destruction.
- Destroy debit cards as soon as the balance has been refunded.
- Require two witnesses are present during debit card destruction and both witnesses sign the Certificate of Destruction Log.
- Segregate chain of custody, recording, and review tasks in the process.



- Write procedures for the inventory, chain of custody, securely storing, reviewing, and destroying "damaged and defective" debit cards describing the roles responsible for each.

### **Management Action Plan**

Auditor's Office recommendations are noted. A written procedure of the destruction of damaged debit card is in place. Vault Accountant completes refund request form and coordinate with debit card company for refunds. Inventory of debit cards are kept and monitored by Vault Accountant.

### **Auditors Response**

- None

### **Inmates' Account Balances are Not Reconciled**

We observed the Inmate Trust Fund reconciliation process on 3/03/2021, reviewed monthly reconciliations from January 2015 - February 2021 and identified the monthly total of all inmate account balances in the Keefe Commissary Network (KCN) were not reconciled to the ending cash balance on the Bank of America bank statement and adjustments are made for timing differences in the KCN. **Status: Previous audits of the Sheriff Department identified this issue and the department did not make changes to the reconciliation process.**

Per Local Government Code (LGC) 351.0415(b) The sheriff or the sheriff's designee (1) has exclusive control of the commissary funds; and (2) shall maintain commissary accounts showing the amount of proceeds from the commissary operation and the amount and purpose of disbursements made from the proceeds. .Per Dallas County Sheriff's Department General Orders the Financial Services Unit is responsible for maintaining a monetary account system for inmate use within the detention system. Vault personnel are responsible for "reconciling accounts from various sub-ledgers, bank statements, and third party vendors". Per the Keefe Commissary Network Service Agreement, (Commissioner's Court Order 2019-256), "the system must be able to provide a complete audit trail on all transactions and provide a general ledger. The inmate accounting system must allow for automated bank reconciliation that ties to the cash general ledger account. Subsidiary accounts must show details of all activity in each account. Totals of subsidiary accounts must agree to their control account at all times. The inmate accounting system must be capable of providing non-technical personnel the capability to customize reporting." In the current reconciliation process deposits (ACH, cash, checks) and withdrawal (ACH, check, cash) batch totals previously posted to the KCN are agreed to the Bank Statement by another employee who posts manual adjustments to balance. By not detecting the difference between the total of all Inmate Trust balances and available cash in the bank account this resulted in the loss of at least \$699,993 as of 3/19/2021.



## **Recommendation**

Inmates' Account Balances are Not Reconciled

Management should make the following corrective actions:

- Immediately begin reconciling the total of all inmate account balances in the KCN to the ending Bank of America cash balance.
- Investigate differences by running KCN transaction reports and comparing them to bank activity reports.
- Separate accounting roles so that a clerk posts batch totals to KCN and another employee reconciles those entries to the bank statement in KCN.
  - The employee preparing the reconciliation should not post adjustments to KCN, and any adjustments should be approved by management.
  - Consider deposits in transit, ACHs, checks in transit, and other reconciling items.
- Ensure management reviews the reconciliation for accuracy and completeness as evidenced by their date and signature.
- Request technical training and guidance materials as needed on KCN accounting, reconciliation, and reporting functionality from the Keefe Group, which are "provided at no charge to Dallas County" per the Service Agreement.

## **Management Action Plan**

Auditor's Office recommendations are noted. Requested assistance from Auditor's Office to assist Vault Accountant to begin reconciliation of inmate account balance in KCN to Inmate Trust Fund Account in Bank of America. Segregation of duties are not possible always because Fiscal Department doesn't have the right qualified and experienced accountants or accounting clerks in place. Dept. is working with a labor force that's available currently. Will try more reviews once new Accountant is in place. KCN is willing to train or retrain Vault/Fiscal employees any time upon our request.

## **Auditors Response**

- None

## **Fiscal Cash Log**

We reviewed the Fiscal Section's Change Order Forms, bank statements for the Inmate Trust Account, and Overage Deposit slips between 01/02/2019 and 03/02/2021 and identified:



- 687 days the Fiscal safe was over its daily balance of \$25,000. During testing we were told Fiscal holds approximately \$20,000-25,000 in the Fiscal safe at a given time.
- 72 days the reimbursement amount received from Fiscal office is missing the signature and date verification from the Vault Supervisor on the returned Memorandum Form, Change Order Form or Reimbursement Report.
- There is no chain of custody documentation for transferring cash reimbursements from the Fiscal safe to the Vault.
- Fiscal does not keep a daily log to record and balance cash reimbursements transferred from the Fiscal safe to the Vault, "overages" from the Fiscal safe that are sent back to the BOA account, and cash held in the Fiscal safe at any given time. **Status: As of 3/5/2021, the CFO verifies the \$12,000 draws by initialing the Ledger Book next to the amount. Fiscal is tracking the amount of cash in the safe on a given day by logging cash inflows and outflows.**

Per Dallas County Sheriff's Department General Orders the Financial Services Unit is responsible for maintaining a record of all department accounts over which the Sheriff's Department has control. Per the Vault and Inmate Property Section's Standard Operating Procedures, each Monday, Wednesday and Friday, an adjustment is required to maintain a balance of \$25,000. The adjustment figure is submitted to the Fiscal Section each morning on a "Request for Reimbursement" form. The cash money is delivered to the Vault by a Deputy. The cash represents a reimbursement to the cash drawer for money that was paid out to inmates that were released and money that was released from an inmate's account as a cash release. Accompanying the money is receipt showing the bag number and the amount of the reimbursement. The money will be counted and person counting money will sign the receipt confirming that the amount is correct and send the signed form back to Fiscal.

This occurred because Fiscal receives three \$12,000 withdrawals from the Inmate Trust Fund bank account weekly, totaling \$36,000, to replenish the \$25,000 change fund in the Vault. Fiscal staff reimburse money and perform duties without management review over the cash reimbursement process and segregation of duties. The Vault and Inmate Property Section's SOP does not address maintaining a log for the cash stored in the Fiscal Safe and documenting the chain of custody of cash transferred from Fiscal to the Vault. This may lead to gaps in the audit trail, possible ledger variances, and create opportunities for the potential misappropriation of money.

### **Recommendation**

#### Fiscal Cash Log

Management should make the following corrective actions:

- Reconcile and track cash received from the bank, reimbursements, overages, and daily balances held in the safe on an Inmate Cash Log.
- Ensure the Inmate Cash Log is reviewed by management as evidenced by their initials and date.
- Assess the cash reimbursement requirements for the Vault and evaluate whether it is necessary to store \$25,000 in the Vault and an additional \$25,000 in the Fiscal safe.



- Require that Memorandum Forms, Change Order Forms and Reimbursement Reports are signed and dated by the Vault Supervisor and ensure it is verified by Fiscal Section.
- Create a chain of custody log to document money transferred between Fiscal Section and the Vault by a deputy.

Update the Vault and Inmate Property Section's SOP to address maintaining an Inmate Cash Log and documenting the chain of custody of cash transferred from Fiscal to the Vault.

### **Management Action Plan**

Auditor's Office recommendations are noted and implemented. CFO evaluated the need of keeping \$25,000 in Vault Safe and \$20,000+/- in Fiscal Safe and confirms that the need to keep those funds are genuine. Proper documentation, reconciliation, counting of cash balance etc. are in place.

### **Auditors Response**

- None

### **Cash Commingled with Fugitive Fund**

We reviewed bank statements for the Inmate Trust Fund and Fugitive Fund check detail between 01/02/2019 and 03/02/2021 and identified 14 instances in which the clerks borrowed a total of \$4,449.63 from Inmate Trust cash held in the Fiscal Section safe to reimburse deputies for inmate transportation activities due to insufficient Fugitive Funds. The only records to corroborate Inmate Trust cash from the safe lent to the Fugitive Fund are the checks issued from the Fugitive Fund and subsequent deposit into the Inmate Trust bank account.

Per Local Government Code, § 351.0415b, The Sheriff or the Sheriff's designee: (1) has exclusive control of the commissary funds; (2) shall maintain commissary accounts. The \$5,000 Fugitive Petty Cash Fund is paid from the county's general fund. Per Attorney General Opinion KP-0295 commissary funds are not funds "belonging to the county" that the sheriff must deposit with the County Treasurer. Per Dallas County Sheriff's Department General Orders Chapter 2.5, the Financial Services Unit is responsible for: managing the Sheriff's Department financial operations; approving all requisitions issued for expenditures authorized by the Sheriff or designee; maintaining and controlling department accounting records; ensure the legitimacy of all expenditures; maintaining an account system for inmate use within the detention system; and assisting personnel in processing claims for reimbursement.

This occurred because management allowed staff to use Inmate trust cash held in the safe when the Fugitive Petty Cash Fund balance was insufficient to support the needs of the department. Additionally,



the Fiscal Section did not keep a record at the point cash was used from the safe. Money removed from the Inmate Trust Fund without adequate supporting documentation creates gaps in the audit trail and increases the risk of errors and opportunity assets may be misappropriated.

### **Recommendation**

Cash Commingled with Fugitive Fund

Management should make the following corrective actions:

- Immediately cease commingling Inmate Trust Funds, held in trust for inmate spending, with Fugitive Petty Cash from the general fund.
- Assess the requirements and adequacy of the Fugitive Petty Cash Fund and evaluate whether it is necessary to request more consistent reimbursements from the general fund or alternatives to advancing more than \$5,000 in cash to deputies at one time.
- Require the monitoring of cash held in the safe under management's review and custody.
- Write policies and procedures prohibiting the Inmate Trust Fund for use as a reimbursement account.

### **Management Action Plan**

- Auditor's Office recommendation noted. Instructed Fiscal Office to discontinue commingling of cash funds. Other recommended procedures are in place. Fugitive cash count will be performed by Fiscal Manager either beginning of the month or end of the month.

### **Auditors Response**

- None

### **Inadequate Use of Keefe Commissary Network**

During fieldwork, we observed the Sheriff's Department is not utilizing the complete accounting and reporting functionality of the Keefe Commissary Network (KCN) Inmate Accounting System to track Inmate Trust Fund activity and maintain general ledger accounts. The Sheriff's Department does not have KCN Inmate Accounting System user guides and training materials from the contractor. Internal Audit requested KCN user guides on 2/25/2021 from the contractor, but did not receive them. **Status: On 10/13/2021 the contractor provided KCN Inmate Accounting System user guides to the Sheriff's Department which were sent to Internal Audit.**

Per Local Government Code, § 351.0415b, the Sheriff or the Sheriff's designee: (1) has exclusive control of the commissary funds; (2) shall maintain commissary accounts. Per the Keefe Commissary Network Service Agreement, (Commissioner's Court Order 2019-256), the Inmate Accounting System



must be able to provide a complete audit trail on all transactions and provide a general ledger. The Inmate Accounting System must allow for automated bank reconciliation that ties to the cash general ledger account. Subsidiary accounts must show details of all activity in each account. Totals of subsidiary accounts must agree to their control account at all times. The Inmate Accounting System must be capable of providing non-technical personnel the capability to customize reporting and must adhere to generally accepted accounting principles. The contractor shall provide a complete computerized inmate accounts system, including all hardware and software, train Dallas County Sheriff personnel, provide documentation and provide a toll free 24 hour emergency "hot line" to insure maximum utilization and minimal down time of system. The Contractor shall provide continuing support for the software and hardware throughout the length of the contract. Contractor support shall include, correcting program and system problems plus updates and enhancements to the software. All support and enhancements are to be provided at no charge to Dallas County throughout the Term or Extension of this Agreement.

The Fiscal Section is not sufficiently staffed with personnel who possess the knowledge to detect material account balances and reconcile general ledger accounts. Additionally, the KCN Inmate Accounting System is not adequately configured for the appropriate linking of general ledger accounts and KCN user guides and training materials were not provided by the contractor. This resulted in a material difference between the total of all Inmate Trust balances and available cash in the Inmate Trust bank account and material balances accumulating in clearing accounts.

### **Recommendation**

#### **Inadequate Use of Keefe Commissary Network**

Management should make the following corrective actions:

- Contact the Keefe Group to review the configuration of general ledger accounts set up in the KCN Inmate Accounting System.
- Investigate and reconcile clearing accounts with material balances.
- Request the vendor provide training and user guides to the KCN system and all of its features, including the use of reports.
- Sufficiently staff the Fiscal section with personnel who possess the requisite knowledge.
- Periodically reconcile general ledger accounts in the KCN Inmate Accounting System.
- Write policies and procedures for reviewing reports in the KCN Inmate Accounting System during reconciliations and to assess the accuracy and completeness of transactions.

### **Management Action Plan**

Auditor's Office recommendations are noted. Sent KCN's user guides and training materials to internal audit. As noted by Auditor's Office, Fiscal Office or Vault Section are not staffed with qualified accountants or accounting clerks. Hence, Keefe system was never used as a full accounting package by the facility. We expect few changes in the way we handle the system once we get the new Accountant in place.





## **Auditors Response**

- None

## **Access to the Fiscal Safe**

During fieldwork we observed that the Fiscal safe was open and also observed the door to the safe room was open. Additionally, the door to the safe has a key lock, with keys in the possession of multiple employees.

Per Local Government Code, § 351.0415b, The Sheriff or the Sheriff's designee has exclusive control of the commissary funds. Cash should be kept in a locked/ combination safe in a locked room according to best practices for cash control. Access to areas where cash is stored should be limited to only those employees who need access, and have been designated to have access. The safe and door to the room should be locked and secured when not in use. Currently the safe in the Fiscal office is difficult to open due to age, so it remains open. Additionally, there are no policies and procedures for safeguarding Inmate Trust Funds in the Fiscal Section and who has access to these funds. Physical access vulnerabilities may increase the risk of loss and potential misappropriation of money.

## **Recommendation**

### **Access to the Fiscal Safe**

Management should make the following corrective actions:

- Replace the safe in the Fiscal Section that staff have difficulty closing.
- Limit access via keys to secured locations and the safe combination to authorized individuals only.
- Ensure staff securely close the safe and lock the door to the room where the safe is located when not in use.
- Change the safe combination regularly, when security has been compromised, or when an employee leaves the department.
- Collect keys from employees leaving the department and change locks to secured rooms when security is compromised.
- Write policies and procedures for safeguarding money in the Fiscal Section and document which roles can access the safe.
- Inventory keys in the possession of employees.

## **Management Action Plan**



Auditor's Office recommendations are noted. Will order a new safe in FY22. Card Reader is installed to Safe Room. Multiple staff members in Fiscal have access to the Safe Room as we are a small group; when routine employee(s) are on vacation or out of office, then the office still need to function with available employee(s). Hence isolating access to certain roles only is impractical in Fiscal Office.

### **Auditors Response**

- None

### **Cash Shortage Reimbursements**

Per review of the Sheriff's Department Memorandums, check copy, and deposit slip we identified on 4/23/2020 the Sheriff's Internal Service Fund was used to reimburse a \$100 Inmate Trust Fund cash shortage at the Vault, instead of reporting the loss to the County Auditor.

The county commissioner's court adopted a self-insurance policy to provide fire, burglary, theft and mysterious disappearance coverage for all officials and employees per Dallas County Policy Section 74-671. The insurance covers personal liability for loss of public funds in the department heads/elected officials' custody when the loss is not a result of malicious, willful and/or negligent acts. The County Auditor's Office will be notified immediately (within one day) of any out of balance conditions for purposes of identifying and substantiating any shortages which may subsequently require indemnification in accordance with Dallas County Policy Section 74-692. Per Local Government Code, § 351.0415, the Sheriff or the Sheriff's designee: (1) has exclusive control of the commissary funds; (2) shall maintain commissary accounts showing the amount of proceeds from the commissary operation and the amount and purpose of disbursements made from the proceeds. The sheriff or the sheriff's designee may use commissary proceeds only to: fund, staff, and equip a program addressing the social needs of the inmates, including an educational or recreational program and religious or rehabilitative counseling; supply inmates with clothing, writing materials, and hygiene supplies; establish, staff, and equip the commissary operation and fund the salaries of staff responsible for managing the inmates' commissary accounts; fund, staff, and equip both an educational and a law library for the educational use of inmates; or fund physical plant improvements, technology, equipment, programs, services, and activities that provide for the well-being, health, safety, and security of the inmates and the facility.

Management did not comply with Dallas County Policy Section 74-671, 74-692 or LGC 351.0415. This impacts the availability of money in the Internal Service Fund for its intended purpose and can create an opportunity for the misappropriation of assets when shortages are not disclosed and appropriately resolved.

### **Recommendation**

#### **Cash Shortage Reimbursements**

Management should make the following corrective actions:



- Immediately cease using the Internal Service Fund to reimburse cash shortages in the Sheriff Department.
- Review and investigate incidents of cash shortages, evidenced by management's signature and date on Sheriff's Department Memorandum.
- Report cash shortages and claims under the self-insurance program to the County Auditor's Office in compliance with Dallas County Policy Section Sec. 74-671 and 74-692.

### **Management Action Plan**

Auditor's Office recommendations are noted and will follow going forward.

### **Auditors Response**

- None

### **Inactive Accounts with Negative Balances**

We reviewed the Keefe Commissary Network Inmate Balance Report as of 3/31/2021 and identified seven inactive accounts with a negative total balance of \$206.27.

Per the Vault and Inmate Property Section's Standard Operating Procedures vault personnel are responsible for reviewing accounting data for accuracy, preparing reports regarding financial data, researching and resolving complex issues regarding inmate accounts, auditing work processes, and reconciling /correcting exceptions. Management did not research and resolve negative inmate balances on the Keefe Commissary Network Inmate Balance Report and adhere to the Vault and Inmate Property Section's Standard Operating Procedures. This increase the risk that negative inmate balances may reduce the amount of money available in the Inmate Trust Fund or that inmate records may not be complete and accurate.

### **Recommendation**

Inactive Accounts with Negative Balances

Management should make the following corrective actions:

- Research and resolve the seven inactive accounts with a negative total balance of \$206.27.
- Review the Keefe Commissary Network Inmate Balance Report monthly for negative account balances on inactive accounts.
- Adhere to the Vault and Inmate Property Section's Standard Operating Procedures.



## **Management Action Plan**

Auditor's Office recommendations are noted and will follow.

## **Auditors Response**

- None

## **Inactive Accounts with Balances**

We reviewed the Keefe Commissary Network Inmate Balance Report as of 3/31/2021 and identified 1,625 inactive inmate accounts with a total balance of \$28,879.35, including:

- 1,592 inactive accounts with balances of \$100 or less, totaling \$20,824.76
- 33 inactive accounts with balances over \$100, totaling \$8,054.59.

Per the Vault and Inmate Property Section's Standard Operating Procedures vault personnel are responsible for assisting the public and inmates with requests for inmate's property information including disbursing cash from inmate's account, researching and locating inmate's property, and returning all personal property and cash that is left on the inmate's account. Unclaimed and abandoned property should be escheated to either the County Treasurer (if valued at \$100 or under) or the State of Texas (if valued over \$100) in compliance with Property Code § 72 and 76. Management did not adhere to the Vault and Inmate Property Section's Standard Operating Procedures by returning cash remaining in the inmate's account. Management does not complete a periodic review of inactive inmate accounts to escheat funds in compliance with Property Code § 72 and 76. People entitled to their funds did not receive them and may not realize they are held in the Inmate Trust Fund by the Sheriff's Department. Without management's review and oversight of unclaimed and abandoned funds it increases the risk these assets may be misappropriated.

## **Recommendation**

Inactive Accounts with Balances

Management should make the following corrective actions:

- Perform periodic reviews and monthly reconciliations of the Inmate Trust Fund account.
- Reviews should be signed and dated by supervisory personnel.
- Ensure all old and/or inactive balances are researched for disbursements to applicable parties or escheated to the County Treasurer of State Comptroller.



### **Management Action Plan**

- Auditor's Office recommendations are noted and will follow

### **Auditors Response**

- None

### **Book-Out of Inactive Inmates**

We walked through the process for issuing debit cards to inmates on 3/17/2021 and made the following observations during fieldwork:

- Outside parties can add money to inmates' inactive accounts in the Keefe Commissary Network (KCN) Inmate Accounting System.
- Clerks post cash and debit card releases on inactive accounts in the KCN.

Per Local Government Code, § 351.0415b, The Sheriff or the Sheriff 's designee: (1) has exclusive control of the commissary funds; (2) shall maintain commissary accounts showing the amount of proceeds from the commissary operation and the amount and purpose of disbursements made from the proceeds. Per the Keefe Commissary Network Service Agreement, (Commissioner's Court Order 2019-256), the Inmate Accounting System should integrate with the County current jail management computer system. The Contractor shall include a detailed description of the proposed software and database security features. The Contractor shall describe their philosophy of where each security administration function should best reside - in the Information Systems Division or in the user areas. The Contractor shall provide continuing support for the software and hardware throughout the length of the contract. Contractor support shall include, correcting program and system problems plus updates and enhancements to the software. All support and enhancements are to be provided at no charge to Dallas County throughout the Term or Extension of this Agreement. The Contractor shall provide a complete application training program for Dallas County Sheriff personnel. According to best practices, the principle of least privilege states that only the minimum access necessary to perform an operation should be granted. If a subject does not need an access right, the subject should not have that right.

KCN Inmate Accounting System functionality and access privileges do not prevent users from conducting transactions on inactive accounts after inmates were released. Vulnerabilities in the software and non-application of the principle of least privilege increase the risk of errors and potential exposure that money in the Inmate Trust Fund may be misappropriated.



## **Recommendation**

### Book-Out of Inactive Inmates

Management should make the following corrective actions:

- Contact the Keefe Group to restrict users from posting cash and debit card releases on inactive accounts in the KCN and to prevent outside users from adding money to inmates' inactive accounts.
- Periodically review user privileges with the Keefe Group and Dallas County IT to ensure users have only the minimum access necessary to perform an operation.
- Assess and implement administrative security controls, such as principle of least privilege, and procedures to limit system vulnerabilities.

## **Management Action Plan**

Auditor's Office recommendations are noted. This is a function that left on system due to the timing of uploading of information from AIS to Keefe's system. Current process of feeding AIS information every 15 minutes to Keefe creates the problem of inactivating an account to Keefe; by the time a released inmate reaches Vault, his/her account get inactivated. Accessing closed/inactivated accounts is the only way a Vault Clerk can release the funds to the inmate. This process will re-reviewed.

## **Response**

A review of the process between AIS and the Keefe's system with Dallas County IT should occur to mitigate the risk of inappropriate transactions occurring on inactive accounts after inmates are released.

## **Overdraft of Inmate Trust Fund Bank Account**

On 5/26/2020 the Sheriff Fiscal Section received a bank overdraft notification from the Treasurer's Office, but did not notify the Auditor's Office when the Inmate Trust Fund bank account balance reached (\$85,469.01).

The County Auditor's Office will be notified immediately (within one day) of any out of balance conditions for purposes of identifying and substantiating any shortages which may subsequently require indemnification in accordance with Dallas County Policy Section 74-692. Management did not comply with Dallas County Policy Section 74-692. Issues causing the overdraft and negative Inmate Trust Fund bank balance were not timely resolved, and the difference between the total of Inmates' Trust Balance and available cash continued to increase.



**Recommendation**

Overdraft of Inmate Trust Fund Bank Account

Management should make the following corrective actions:

- Comply with Dallas County Policy Section 74-692.
- Notify the Auditor's Office within one day of cash shortages, out of balance conditions (including when a bank balance is negative), deposit issues, and cash management issues.

**Management Action Plan**

- Auditor's Office recommendations are noted and will follow.

**Auditors Response**

- None

cc: Darryl Martin, Commissioners Court Administrator