



AUDIT REPORT

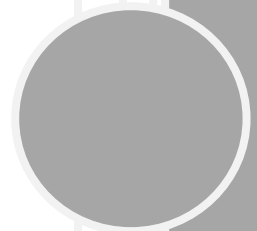
DALLAS COUNTY

FY2022- SHERIFF INMATE TRUST FUND (SPECIAL AUDIT)

Darryl D. Thomas
Dallas County Auditor

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FY2022- 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 "**FY2022- 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.

In 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 follow-up review of the Sheriff's Inmate Trust Fund was performed on October 6, 2022, the follow-up was consisting of walkthrough and observation related to the prior year Special Audit Recommendation and Management Action Plan released on October 30, 2021. The status of the prior year issues and areas still needed consideration are addressed in detail in the body of this report.

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 was forwarded to the Federal Bureau of Investigation (FBI) for further review. Audit didn't receive any update as of this report date.**
- **Overdraft of Inmate Trust Fund Bank Account:** During a follow-up walkthrough on 10/6/2022, no instances of bank overdraft were reported to Internal Audit. The daily ledger balance of the March, May, July, and September 2022 bank statements were reviewed showing no bank overdrafts. **Status: Appears resolved.**
- **Inmate's Trust Fund Reconciliation:** A follow-up walkthrough of the Inmate Trust Fund reconciliation process was performed on 10/6/2022 using the July 2022 monthly reconciliation. It was identified that 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. **Status: Previous audits of the Sheriff Department identified this issue, and the department did not update the reconciliation process.**
- **Inadequate Use of Keefe Commissary Network:** During a follow-up walkthrough on 10/6/2022, a trial balance was reviewed and showed the department has not maintained the general ledger accounts. The following material accounts were noted: 1) Cash on hand shows -\$2,940,930.67, 2) Cash clearing account shows -\$2,890,190.44 and 3) Cash in Bank shows \$0. **Note: The department stated the contractor is continuing to review individual transactions and close accounts.**
- **Destruction of Debit Cards:** During a follow-up walkthrough on 10/6/2022 it was observed the accountant maintains a "Voided/ Shredded Debit Card Log" showing the date Rapid Financial is called, the amount Rapid Financial stated was loaded on the card, the Rapid Financial representative's name, the date a refund request is made, the date funds were reimbursed to the bank account, and the initials of the clerk who shreds the card. Debit Cards are secured in the Vault Supervisor's locked office until retrieved by the accountant. The Authorization to Close and Refund Prepaid Card Balances form is completed by the accountant and submitted to Rapid Financial. Money returned to the bank account is also verified by the accountant before the debit card is shredded. **Status: Appears resolved.**
- **Fiscal Cash Log:** During a follow-up walkthrough on 10/6/2022, the Fiscal Safe Logbook activity from 9/26/2022 – 10/5/2022 was examined. The department receives \$12,000 from the bank on

Mondays, Wednesdays, and Fridays. Reimbursements to the vault are recorded on the log and custody of funds is evidenced by the receiving officer's signature and subsequently by the Vault supervisor's signature. The Fiscal office maintains \$20,000 in the safe with excess funds redeposited to the bank and recorded on the log. The daily balance is reviewed and signed by the accountant IV. **Status: Appears Resolved.**

- **Commingled Fund:** In a follow-up review of three Fugitive Fund checks issued between 1/1/2022 to 12/21/2022, it was identified that two Fugitive Fund checks totaling \$487.41 (dated 3/8/2022 and 5/17/2022) were reimbursed to the Inmate Trust Fund account. In the prior Inmate Trust Audit, it was noted that Inmate Trust money in the Fiscal safe was co-mingled with the Fugitive Fund to reimburse deputies for inmate transportation activities. **Status: In a walkthrough of the Inmate Trust Fund performed on 10/6/2022, the department stated it no longer borrows money from the Inmate Trust Fund for Fugitive fund activities.**
- **Access to Inactive Inmate Account (Book- out):** A follow-up walkthrough of the process for issuing debit cards to inmates was performed on 10/6/2022 and the following observations were made during fieldwork: Clerks post cash and debit card releases on inactive accounts in the KCN. "Transfer In" and "Transfer Out" was shown as an active transaction type in the KCN, which allows the user to transfer money from one account and then transfer to another account. **Status: The "Debit Card Error" was removed from the Book-out workstation.** Internal Audit was not able to observe the process for voiding payments in the KCN.

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 objective of this audit is to perform a follow-up of the Sheriff's Inmate Trust Fund Audit Recommendations and Management Action plan issued and released on October 31, 2021.

This is a follow-up of the Sheriff's Inmate Trust Fund Audit Recommendation and Management Action plan issued and released on October 31, 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

Inadequate Use of Keefe Commissary Network

During a follow-up walkthrough on 10/6/2022, a trial balance was reviewed and showed the department has not maintained the general ledger accounts. The following material accounts were noted:

- Cash on hand shows -\$2,940,930.67
- Cash clearing account shows -\$2,890,190.44.
- Cash in Bank shows \$0.
- **Note: The department stated the contractor is continuing to review individual transactions and close accounts.**

It is a best accounting practice to ensure amounts of all transactions are accurately and completely recorded to the correct accounts in the general ledger, without error. Account balances should also be presented to reflect their proper values for transactions that have occurred. A clearing account is a temporary account that holds funds until they are transferred to another account at the close of the accounting period. 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. Trial Balance Reports, Inmate Balance reports, and Transaction by Date reports are not used to detect and review material account balances and reconcile general ledger accounts. General ledger accounts were not adequately configured and appropriately linking in the KCN Inmate Accounting System. 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:



- Continue working with the vendor to configure and appropriately link general ledger accounts in the KCN Inmate Accounting System.
- Ensure all transactions are accurately and completely recorded to the correct accounts in the general ledger, without error.
- Ensure account balances present their proper values for transactions that have occurred.
- Periodically reconcile general ledger accounts in the KCN Inmate Accounting System.
- Investigate and review clearing accounts with material balances, specifically funds that have not cleared or transferred to another account at the close of the accounting period.
- Request the vendor provide training and user guides to the KCN system and all of its features, including the use of reports.
- Write policies and procedures for reviewing reports and reconciling general ledger accounts in the KCN Inmate Accounting System.

Management Action Plan

Recommendations are noted; Audit staff used a no useful/invalid report; this was brought up to audit staff's attention during exit interview, but their office still decided to go with that invalid report; KCN still is working on the report. Once again, the current commissary system was never used as an accounting package/double entry system. Contractor provides training to department staff upon demand.

Auditors Response

Given the nature of the previous realized risk exposure and department's assurance that controls were in place, it is strongly recommended the department use the Inmate Accounting System as stipulated per the county's contract and implement Internal audit's recommendations.

Inactive Accounts with Balances

The Keefe Commissary Network Inmate Balance Report as of 10/6/2022 was reviewed; it was identified that 1,879 inactive inmate accounts with a total balance of \$39,090.94, including:

- 1,835 inactive accounts with balances of \$100 or less, totaling \$28,700.98.
- 44 inactive accounts with balances over \$100, totaling \$10,389.96.

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:

- Contact the appropriate parties to claim the \$39,090.94 from inactive inmate accounts. Of this amount, research balances older than three years and escheat balances less than \$100 to the county Treasurer and balances greater than \$100 to the State Comptroller.
- Periodically review Inactive Inmate Balances and routinely escheat balances in accordance with unclaimed property statutes, and Property Code § 72 and § 76.
- Perform periodic monthly reconciliations of the Inmate Trust Fund account balances.
- Ensure reviews are signed and dated by supervisory personnel.

Management Action Plan

Recommendations are noted. We are unable to escheat any fund to State until inmate balances are reconciled.

Auditors Response

None

Inactive Accounts with Negative Balances

The Keefe Commissary Network Inmate Balance Report as of 10/6/2022 was reviewed; it was identified that seven inactive accounts have 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 increases 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

Recommendations are noted.

Auditors Response

None

Inmates' Account Balances are Not Reconciled

A follow-up walkthrough of the Inmate Trust Fund reconciliation process was performed on 10/6/2022 using the July 2022 monthly reconciliation. It was identified that 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. **Status: Previous audits of the Sheriff Department identified this issue and the department did not update 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." It is a best accounting practice that the responsibilities of authorization, custody of assets, record keeping, and reconciliations should be assigned to different individuals to maximize the internal control in processes. 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. By not reconciling the total of all Inmate Trust balances to available cash in the bank account it is possible inmate assets could be misappropriated and not detected by the department.

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.
- Continue separating accounting functions so that the clerk posting batch totals to KCN is not the same employee who reconciles or approves those entries to the bank statement in KCN.
- 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

Recommendations are noted; KCN's accounting team has been working on a classified trial balance report; commissary software was never used as a double entry book-keeping system; contractor is trying to get the report tallied before we initiate reconciliation process.

Auditors Response

None

Book-out of Inactive Inmate Account

A follow-up walkthrough of the process for issuing debit cards to inmates was performed on 10/6/2022 and the following observations were made during fieldwork:

- Clerks post cash and debit card releases on inactive accounts in the KCN. "Transfer In" and "Transfer Out" was shown as an active transaction type in the KCN, which allows the user to transfer money from one account and then transfer to another account.
- The "Debit Card Error" was removed from the Book-out workstation.
- Internal Audit was not able to observe the process for voiding payments in the KCN.

Under LGC Sec. 115.001, the county auditor shall have continual access to and shall examine and investigate the correctness of: the books, accounts, reports, vouchers, and other records of any officer. 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. Access vulnerabilities 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 Inmate Account

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.
- Comply with LGC 115.001 by allowing the County Auditor to observe the process for voiding payments in the KCN.
- Limit access to the "Transfer In" and "Transfer Out" transaction type in the KCN in accordance with the principle of least privilege.
- 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

Recommendations are noted. No closed/inactive accounts are allowed to issue debit cards; shop complied with LGC 115.001 for County Auditor to examine and investigate the correctness of the books, accounts, reports, vouchers, and other records. What the audit staff demanded was to process a live VOID on a valid transaction; shift supervisor was hesitant to do so to avoid getting blamed for voiding live transactions in light of what was done by a previous employee that ended up all employees to go through questioning by Law Enforcement Investigation team. Void reports are still available for audit staff to review.

Auditors Response

None



Cash Commingled with Fugitive Fund

In a follow-up review of three Fugitive Fund checks issued between 1/1/2022 to 12/21/2022, it was identified that two Fugitive Fund checks totaling \$487.41 (dated 3/8/2022 and 5/17/2022) were reimbursed to the Inmate Trust Fund account. In the prior Inmate Trust Audit it was noted that Inmate Trust money in the Fiscal safe was co-mingled with the Fugitive Fund to reimburse deputies for inmate transportation activities. **In a walkthrough of the Inmate Trust Fund performed on 10/6/2022, the department stated it no longer borrows money from the Inmate Trust Fund for Fugitive fund activities.**

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 prior to the 10/6/2022 walkthrough because management did not separate Fugitive Petty Cash activities from that of the Inmate Trust Fund activities and ensure the Fugitive Fund balance was sufficient to support the needs of the department. The two check requisitions were approved by the CFO and stated the money would "replenish the Fugitive Fund", but did not mention reimbursing the Inmate Trust Fund Account. Money removed from the Inmate Trust Fund without adequate supporting documentation creates gaps in the audit trail, may deprive use of funds, 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:

- Separate the activities of Inmate Trust Funds, held in trust for inmate spending, with Fugitive Petty Cash from the general fund.
- Money from either fund should not be borrowed, commingled, or used to reimburse the other 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 use of the Inmate Trust Fund as a reimbursement account, and outline appropriate procedures for funding the Fugitive Fund.
- Review and monitor staff activities in compliance with management's policies and procedures.

Management Action Plan

Already corrected and procedures are in place.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator