

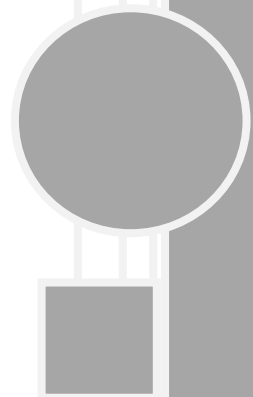


# AUDIT REPORT

DALLAS COUNTY

SHERIFF - FY2016 & FY2017 AUDIT

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: August 09, 2018  
RELEASED: September 14, 2018



# SHERIFF - FY2016 & FY2017 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 "**Sheriff - FY2016 & FY2017 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,

A handwritten signature in blue ink, appearing to read "Darryl D. Thomas", is written over a light blue horizontal line.

Darryl D. Thomas  
County Auditor

## EXECUTIVE SUMMARY

A review was performed in accordance with statutory guidelines on the financial records and reports of the Sheriff's Department for Fiscal Year 2016 and 2017. 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.

### **Summary of Significant Observations**

- Four manual receipt books containing 508 unused receipts could not be located in the Sheriff Department; two unused customer receipts were missing from manual receipt books; four instances in which manual receipts were skipped in sequence but not voided.
- 52 receipts were voided by the same person who issued the receipt, 29 were cash receipts that were reduced from the original, totaling \$45,348.78, five were cash receipts that were not re-receipted, totaling \$8,055.43, 12 transactions were voided without an explanation or comment, and transactions are not approved by the supervisor prior to voiding.
- Six sheriff sales where the department over collected Sheriff Commissions, totaling \$1,688.92.
- 54 inmates with US Marshal holds in AIS were not billed for a net total of 1,663 days spent in the county jail, or \$91,465;
- 11 inmates (6 Baylor, 4 DISD, 1 DART) were booked into AIS and held for the arresting agency, but the agency was not billed for a total of \$1,150.79
- There is no Inter-local Agreement between Dallas County and Cedar Hill ISD that outlines the terms and conditions, including payment to Dallas County, for providing detention services for Cedar Hill ISD.
- 1,037 inactive inmate accounts totaling \$8,861.75 remain unclaimed in the prisoner trust account as of 06/18/18. Periodic review is not completed for purposes of escheating funds.
- Inquiries of Sheriff Department personnel revealed money collected for shoe shines is maintained in an unlocked box accessible by all personnel (on three shifts) assigned to the control center for that day. Shoeshine collections are deposited in a non-County depository, the Internal Services Fund, on a weekly basis. The funds may be used for reimbursement of cash shortages.
- Sheriff's department does not reconcile the 505 Special Fund Account. We inquired with department staff and reviewed their responses from the Internal Control Questionnaire (ICQ) and noted that unclaimed funds are not researched for disbursing to the State Comptroller and/or County Treasurer in accordance with unclaimed property statutes.
- Inventory discrepancy was noted between the Internal Audit counts on hand and Inventory record kept by Cook Chili's.
- The monthly Cost Data Reports compiled by Cook Chill for the National School Lunch Program (NSLP) is under reported by \$183,508.37 due to cost was annualized using the budget analysis rather than the actual cost.

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

The significant issues listed above were repeating from previous years.

## 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 October 1, 2015 through September 30, 2017.

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

### **Housing of Prisoners from Other Agencies**

We compared the monthly billings and receivables (per Inter-local Agreement) for a judgmental sample of 60 inmates held for the U.S. Marshal, 40 inmates held for Baylor, 40 inmates held for DISD, and 4 inmates held for Cedar Hill ISD, to the Adult Information System (AIS) and identified: 54 inmates with U.S. Marshal holds in AIS were not billed for a net total of 1,663 days spent in the county jail, or \$91,465; 11 inmates (6 Baylor, 4 DISD, 1 DART) were booked into AIS and held for the arresting agency, but the agency was not billed for a total of \$1,150.79; one inmate's date of birth listed in AIS did not agree to the agency's bill; and there is no Inter-local Agreement between Dallas County and Cedar Hill ISD that outlines the terms and conditions, including payment to Dallas County, for providing detention services for Cedar Hill ISD. Dallas County bills other law enforcement entities for housing their prisoners based on the rate stipulated in the inter-local agreements with the agencies. Per the Dallas County Sheriff's Department 2017 General Orders and Code of Conduct Manual, "The Financial Services Unit is responsible for performing billing functions for the Sheriff's Department and keeping the conditions of accounts payable." AIS billings are exported from AIS and sent to agencies on a monthly basis. As a best practice, the CFO should ensure inmates held for agencies and the days housed by Dallas County in AIS are reconciled to agency billings. These instances occurred because U.S. Marshal inmates with holds from multiple agencies in AIS do not appear on the U.S. Marshal billings, clerks do not flag the billing agency in AIS, agency billings are based on inmate housing reports from the agency being billed, and inter-local agreements are not annually assessed by the department. These occurrences result in a potential loss of revenue for Dallas County.

### **Recommendation**

#### **Housing of Prisoners from Other Agencies**

Management should ensure that inmates housed in Dallas County detention facilities on behalf of another agency are accurately and completely billed to the agency by reviewing AIS postings and reconcile billings to AIS. Management should contact IT Services to resolve AIS system limitations and implement internal controls to review and verify agency billings prior to mailing them to the agency. The department should contact the agency to verify AIS inmate records agree with agency inmate records. The department should establish an inter-local agreement with Cedar Hill ISD and periodically review existing agreements for updates.

### **Management Action Plan**

We agree with your recommendation. A new billing report method has already been created in AIS to assisting reconciling the agency's record against ours. Monthly report accessibility in AIS will allow for the proper reconciliation against the agency billing for inmate records. An inter-local agreement with Cedar Hill ISD will be tentatively established in the next fiscal year as well.

### **Auditors Response**

None

### **Prisoner Trust Fund**

We reviewed the Prisoner Inmate Trust Fund procedures, a sample of 80 inmates from the Release Summary Report and Book-In Report, sample of 80 invoices from the Keefe Commissary Network, a review of all Prisoner Trust Fund checks for verification/authorization, 41 void checks, and the monthly Bank of America 515 Account reconciliations and identified four inmates were given cash (instead of issuing a debit card, despite having a balance over \$30 in their Prisoner Trust Fund account; eight check disbursements did not have a second authorized signature; 11 original checks were voided but not retained by the department; 13 original checks marked "VOID" do not contain an explanation for voiding; the Vault Supervisor posts manual entries to balance the Prisoner Trust Fund in Keefe to the bank statement and while performing the reconciliation; the April, May, July, and September 2017 reconciliations were not signed by the Chief Financial Officer (CFO) or Interim CFO to reflect review and approval; and 1,037 inactive inmate accounts totaling \$8,861.75 remain unclaimed in the Prisoner Trust Fund as of 06/18/18. A periodic review is not completed for purposes of escheating funds.

Management policy states "debit cards are issued when inmates have \$30.01 or more on their account, except for conditional releases to other counties." Best practices for internal control require separation of assigned duties regarding cash controls with two authorized signatures on every check and written evidence of delegated authority to sign checks consistent with bank signature cards. Void checks should be affixed with a reason for the void and retained in accordance with government retention policies. 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. Financial controls require timely reconciliation of bank statements to Keefe Commissary records and include the review, research, and matching of reconciling items by account with adequate documentation. Reconciliations are reviewed by supervisors for accuracy and completeness, where preparation and review duties are segregated. Escheat analysis, including remittance of unclaimed funds to the State Comptroller or County Treasurer, should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. These findings occurred because of incomplete reconciliation training, lack of review over unclaimed inmate balances and Keefe Prisoner Trust Fund reconciliations, a lack of enforcement of check disbursement policies and procedures, and no periodic review of Keefe Commissary system permissions to ensure duties are appropriately segregated. As a result, assets can be misappropriated without adequate segregation of duties, such as; dual authorization of checks, reviewing of the reconciliations between the Prisoner Trust Fund records and bank statement, and ensuring appropriate supporting documentation for inactivated inmate balances.

### **Recommendation**

#### **Prisoner Trust Fund**

All reconciliations should be prepared accurately and include support for reconciling items. The reconciliation should be reviewed by the CFO as evidenced by a date, signature, and notations. Void original checks should be retained, labeled void, and contain an explanation for voiding. Management should periodically review the Prisoner Trust Fund Account and resolve unclaimed inmate balances by locating the owner or escheating funds in accordance with unclaimed property statutes, Property Code, § 72 and § 76. All write downs and adjustments in Keefe should be properly supported and have management approval.

### **Management Action Plan**

We agree with your recommendation. Monthly reconciliations will be more closely reviewed and completed by the Account Manager and CFO. Resolution of unclaimed inmate balances will be reviewed.

### **Auditors Response**

None

### **Cash Counts**

We reviewed all 129 scheduled and unscheduled cash counts and cash handling procedures of various sections of the Sheriff's office and identified: five instances where the DC98 deposit total did not agree to the amount of cash collected (**Status: All but \$1.03 was sent to the Treasurer's office on 07/27/16, 09/09/16 and 09/07/17**); one deposit was short \$20 because a counterfeit bill was not detected until the end of the shift (**Status: The shortage was reimbursed from the Internal Services Fund on 10/19/15**); two receipting errors occurred because the clerk accepted checks where the written (legal) amount was less than the numeric amount (**Status: The department received replacement checks on 10/26/15 and 04/26/16**); two receipting errors occurred because the clerk deposited the wrong amount in the Keefe Commissary system; (**Status: The department resolved both errors on 08/09/17**); and one cash shortage because the clerk did not provide all the cash advances during the auditor's cash count on 08/9/17; (**Status: The department located the cash advances on 08/10/17**). Inquiries of Sheriff Department personnel revealed money collected for shoe shines is maintained in an unlocked box accessible by all personnel (on three shifts) assigned to the control center for that day. Shoeshine collections are deposited in a non-County depository, the Internal Services Fund, on a weekly basis. The funds have been used for reimbursement of cash shortages.

Per Dallas County Code Section (DC Code Sec.) 74-693, deposits are to be made intact with the County Treasurer using prescribed forms and in accordance with the schedule as provided by state statutes or other schedules that may be promulgated for the various offices. Accounting and system control procedures require daily reconciliation and balancing of collected funds to AIS receipts 98 control reports. Receipts should be promptly issued for the amount of funds tendered, correct change given to customers, and all funds received properly secured, and deposited consistent with state law, Local Government Code (L.G.C.), § 113.022 and Code of Criminal Procedure (C.C.P.), § 103.004 and DC Code Sec 74-691. The County Auditor's Office is also notified immediately (within one day) of any out of balance conditions for purposes of identifying and substantiating any shortages which may subsequently require indemnification. As a best practice, management should be reviewing deposits for accuracy and completeness prior to submitting to the County Treasurer. This issue occurred due to clerical errors and omissions, incomplete training regarding the detection of counterfeit bills at the point of acceptance, and lack of written procedures and internal controls regarding cash shortages. As a result, counterfeit bills cannot be traced to a specific inmate, resulting in a fund shortage, and additional county time and resources were expended to resolve the cash discrepancies.

### **Recommendation**

#### **Cash Counts**

Management should ensure cash tendered is counted in the presence of the person prior to generating the receipt, staff are trained to detect counterfeit bills at the point of acceptance, and that money collected is totaled and agreed to receipt and system control totals. Staff should detect differences between the legal (written) and numeric amounts on



checks received from customers at the point of receipting. The accounting clerk should run a calculator tape of the numeric amount and a separate tape for the legal (written) amount during the daily closeout of funds. All deposits should be reviewed by management prior to submitting to the County Treasurer. Shortages should not be reimbursed from the Internal Service Fund, but rather reported to the County Auditor and resolved against the Sheriff's bond. All funds held by Sheriff personnel should be secured in a locked drawer or safe until deposited.

**Management Action Plan**

We agree with your recommendation. Controls will be implemented for reviewing the cash counts and enforcing procedures surrounding the cash counted, receipting process and detection of counterfeit bills.

**Auditors Response**

None

**Commission Calculations**

We reviewed a random sample of 30 executions and orders of sale, writ collections, and commission calculations for compliance with Commissioners Court approved rates and identified six sheriff sales where the department over collected Sheriff commissions, totaling \$1,688.92. According to Dallas County court orders 2015-1304 and 2016-1099 "Commission calculations should include judgment, interest, and attorney fees collected while excluding any court costs." Per the Tax Code, Sec.34.02. DISTRIBUTION OF PROCEEDS. (a) The proceeds of a tax sale under Section 33.94 or 34.01 shall be applied in the order prescribed by Subsection (b). The amount included under each subdivision of Subsection (b) must be fully paid before any of the proceeds may be applied to the amount included under a subsequent subdivision. (b) The proceeds shall be applied to: (1) the costs of advertising the tax sale; (2) any fees ordered by the judgment to be paid to an appointed attorney ad litem; (3) the original court costs payable to the clerk of the court; (4) the fees and commissions payable to the officer conducting the sale; (5) the expenses incurred by a taxing unit in determining necessary parties and in procuring necessary legal descriptions of the property if those expenses were awarded to the taxing unit by the judgment under Section 33.48(a)(4); (6) the taxes, penalties, interest, and attorney's fees that are due under the judgment; and (7) any other amount awarded to a taxing unit under the judgment. (c) If the proceeds are not sufficient to pay the total amount included under any subdivision of Subsection (b), each participant in the amount included under that subdivision is entitled to a share of the proceeds in an amount equal to the proportion its entitlement bears to the total amount included under that subdivision. This occurred because the commissions were calculated based on the judgment amount instead of the bid amount and the calculation was not reviewed by management. As a result the department may not be distributing sale proceeds in compliance with tax code 34.02c.

**Recommendation**

**Commission Calculations**

Management should review commission calculations for accuracy, completeness in compliance with the Tax Code 34.02. Commission calculations should include the judgment, interest, and attorney fees and the approved commission percentages and

hourly rates as authorized by Commissioner's Court. Interest calculations on non-sale collections should use the actual collection date. When the proceeds of a sale amount are less than the judgment amount each participant included under that subdivision is entitled to a share of the proceeds in an amount equal to the proportion its entitlement bears.

### **Management Action Plan**

We agree with your recommendation. Active plan of engagement from Management review will begin in Civil/Writs where sale paperwork is generated. Review for accuracy and completeness will be reiterated.

### **Auditors Response**

None

### **Manual Receipts**

We reviewed all manual receipt books issued to the department for existence and all receipts issued to customers during the period under review and identified: four manual receipt books containing 508 unused receipts could not be located in the Sheriff Department; two unused customer receipts were missing from manual receipt books; four instances in which manual receipts were skipped in sequence, but not voided; one manual cash receipt was initially written for \$5,000, that amount was crossed out, and re-written as \$4,000 instead of voiding the receipt (**Status: A confirmation was sent to the payee who confirmed that \$4,000 was paid to the deputy.**); one instance where the white and pink copies were not retained with the voided manual receipt. Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. As a best practice unused manual receipts books should be secured by management in a locked area and issued as needed to personnel who sign off upon taking custody of a book. Manual receipts should remain intact and issued in sequential order. Manual receipts containing an error should be marked void with an explanation written on the receipt. The first (white) receipt issued to the customer, the duplicate (pink) and triplicate (yellow) manual receipts retained in the manual receipt book. Void receipts and manual receipt books should be reviewed by management to ensure compliance with best practices. This occurred because of a lack of written procedures, insufficient records of manual receipt books held by the department, and no evidence of supervisory review. This may result in potential misuse of unused receipts that are not marked void, loss and misuse of county property, and potential misappropriation of assets.

### **Recommendation**

#### **Manual Receipts**

Management should develop formal written receipting procedures. Management should ensure procedures include: requesting manual books based on need rather than making bulk orders, manual receipt books are stored in a secured location when not in use, that books are inventoried and recipients of books sign off upon taking custody of the book, that the supervisor reviews manual receipt books for accuracy and completeness, that receipts are voided with an explanation and all receipt copies intact. Manual receipts should be issued in receipt number sequence. When a receipt is skipped it should be marked "Void" with an explanation written on the receipt. Management should review the manual receipt books to ensure all manual receipts are intact and carbon copies are

present.

**Management Action Plan**

We agree with your recommendation. A formal written manual receipting procedure will be implemented to address some of the findings, along with frequent managerial review of the books themselves.

**Auditors Response**

None

**Other Fee's Collected**

We reviewed a sample of 20 FY2016 and 40 FY2017 fees charged by the Sheriff's Department for compliance with the state laws and court orders and we identified that fees charged per the Sheriff Fee Schedule were not provided to Commissioner's Court for approval. Fees charged by the Sheriff's Department should be approved by Commissioner's Court in accordance with Local Government Code 118.131. **(Status: On 10/10/17, the Fiscal Manager spoke with the County Auditor about the unlisted fees from the Court Order).** All fees charged by the Sheriff's Department were not submitted to Commissioner's Court. Fees not approved by Commissioner's Court can lead to refunds issued per the criteria stated in Local Government Code 118.801.

**Recommendation**

**Other Fee's Collected Recommendation**

Management should provide Commissioner's Court a fee schedule of all fees charged by the Sheriff's Department on a yearly basis during the time period Commissioner's Court reviews the fee schedules for approval.

**Management Action Plan**

We agree with your recommendation. A recent Court order was adopted on 9/4/18 to address these initial fee schedules that were not previously recorded.

**Auditors Response**

None

**Special Fund (505) Disbursements**

We reviewed the department's Special Fund check disbursement procedures, all void Special Fund checks, and a sample 80 Special Fund checks issued during the period and identified: 30 check copies were not attached to the cancellation memo, 21 cancellation memos did not contain the CFO or Fiscal Manager's signature, one disbursement check was issued to the City of Kaufman instead of the Kaufman County Sheriff's Department (505027283), and the Sheriff's department does not reconcile the 505 Special Fund Account. We inquired with department staff and reviewed their responses from the Internal Control Questionnaire (ICQ) and noted that unclaimed funds are not researched for disbursing to the State Comptroller and/or County Treasurer in accordance with unclaimed property statutes. In accordance with Local Government Code Section 113.008, an official with Special Funds shall reconcile all balances and transactions in the statement of activity against the balances of the official's records (GL and bank statement) each month. Special Fund reports should be

periodically reviewed and disbursements should be made in the appropriate amount, to the appropriate parties and in a timely manner. The department should maintain documentation to support the reason for canceled checks including the Chief Financial Officer or Fiscal Manager's signature. Disbursement checks should be issued to the appropriate payee. Inactive balances should be reviewed in accordance with unclaimed property statutes, Property Code, §72 and §76, and escheated either to the County Treasurer (if \$100 or under) or the State of Texas (if over \$100). These issues occurred because clerks did not retain canceled check documentation within the cancellation folder and management does not reconcile the bank statements to their receipt and disbursement documentation. This results in check disbursements which may be issued to the incorrect payee or for an incorrect amount, and losses to the county may go undetected without timely reconciliations.

**Recommendation**

**Special Fund (505) Disbursements**

Management should develop and implement procedures to reconcile the Special Fund (505), escheat inactive balances to the County Treasurer or the State of Texas, verify check request details (including the payee name) to supporting documentation, and ensure appropriate authorization is provided for cancellations with sufficient documentation (including the original check).

**Management Action Plan**

We agree with your recommendation. A plan to escheat inactive balances will be reviewed along with establishing procedures to reconcile fund. Appropriate authorization will be closely filed to support appropriate cancellations.

**Auditors Response**

None

**Computer Receipts**

We reviewed all 352 void computer receipts in CWR and identified: 20 non-property sale receipts were voided two or more days after original issue date; 52 receipts were voided by the same person who issued the receipt (29 were cash receipts that were reduced from the original amount, totaling \$45,348.78, and five were cash receipts that were not re-receipted, totaling \$8,055.43); 12 transactions were voided without an explanation or comment, and transactions were not approved by a supervisor prior to voiding. Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. As a best practice, receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided receipt copies. The Supervisor should review all voids and periodically review transaction reports to ensure that voids are documented and not processed without prior supervisory approval. Receipts should never be voided by the same person who posted the original receipt, but voided by another party and the receipt corrected the same day. This occurred because of lack of evidence of supervisory review over voiding and subsequent re-issuing of receipts, clerks generated the incorrect document for the customer or the incorrect document was selected on the receipt, and a lack of segregation of duties over the cancellation/voiding of receipts. A lack of written procedures and internal controls over the receipting process can lead to loss, misappropriation of assets, errors, and omissions.

**Recommendation**

**Computer Receipts**

Management should establish a receipt and voiding policy that ensures all void receipts are retained, clearly marked "void", and affixed with a reason for voiding. All void receipts should be approved by a supervisor prior to voiding and not voided by the same person who posted the original receipt. Receipt corrections should be posted the same day as the void. Additionally, the Supervisor should review transaction reports to ensure that voids are documented and not processed without prior supervisory approval.

**Management Action Plan**

We agree with your recommendation. Controls will be implemented for voiding practices and enforcing supervisory review prior to voiding a receipt.

**Auditors Response**

None

**Commissary Review**

We reviewed the quarterly revenue and expenditures of the commissary account, general ledger reports, and review of the billing processes and procedures of the operations account during fiscal years 2016 and 2017 (October 1, 2015 – September 30, 2017) and identified: requisitions submitted with incorrect expenditure account codes totaling \$638,958.13 and payroll charges improperly charged to Commissary account totaling \$37,481.43 for non-commissary activities (**Status: Journal entries were made with the approval of the Sheriff CFO and interim CFO to resolve the miscoded expenses**). Requisitions should denote accurate account code in accordance with Dallas County Code Section. 94-71 and 94-151 identifying the supplies, materials, equipment or services needed. Supervisory personnel should review electronic requisitions for appropriateness including the correctness of the expenditure account codes entered by clerks prior to transmission of the requisition to the Purchasing Department.

Local Government Code, Sec. 351.0415. COMMISSARY OPERATION BY SHERIFF OR PRIVATE VENDOR. (c) The sheriff or the sheriff's designee may use commissary proceeds only to: (1) fund, staff, and equip a program addressing the social needs of the inmates, including an educational or recreational program and religious or rehabilitative counseling; (2) supply inmates with clothing, writing materials, and hygiene supplies; (3) establish, staff, and equip the commissary operation and fund the salaries of staff responsible for managing the inmates' commissary accounts; (4) fund, staff, and equip both an educational and a law library for the educational use of inmates; or (5) 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. This occurs because the clerk does not review the requisitions for proper account codes before submitting to purchasing. There is a lack of training on the uses of commissary funds. As a result, expenditure categories are incorrectly reported and there is potential for incorrect analysis of expenditures for forecasting.

**Recommendation**

**Commissary Review**

Proper accounting controls should include procedures established to identify and record correct GL account codes on requisitions. Annual training provided to staff in order to

reinforce proper procedures. Requisitions, purchase orders, invoices, and deposits monitored to ensure that expenditures and revenues recorded on the GL to the correct account, departments, projects, and funds. Supervisory personnel review all requisitions for appropriateness and accuracy.

**Management Action Plan**

We agree with your recommendation. Training will be implemented to review proper account coding and reduce the errors as such in requisition coding. The Account Manager is already being trained and getting familiar with the task.

**Auditors Response**

None

**Food for Prisoners**

We reviewed vendor bids and bid valuations for a random sample of 20 grocery contracts awarded by Sheriff Cook Chill buyers and identified one bid for Imitation American Cheese made by Jana Food Services is listed in Cook Chill's Bid Valuation spreadsheet, but the buyer was unable to locate the vendor's bid sheet.

Internal audit counted the inventory on hand for a random sample of 10 bulk products, compared them against Cook Chill's inventory records and identified the following quantities were unaccounted for in Cook Chill's records:

| <b>Description</b>  | <b>Unit</b> | <b>Sheriff Inventory</b> | <b>Audit Count</b> | <b>Difference</b> |
|---------------------|-------------|--------------------------|--------------------|-------------------|
| Applesauce          | Item        | 280                      | 277                | -3                |
| Brown Sugar         | Item        | 114                      | 109                | -5                |
| Liquid Smoke        | Item        | 112                      | 53                 | -59               |
| Salad Oil           | Item        | 66                       | 83                 | 17                |
| Kidney Beans        | Item        | 58                       | 0                  | -58               |
| Peanut Butter       | Item        | 171                      | 90                 | -81               |
| Ginger Snap Cookies | Item        | 873                      | 896                | 23                |
| Biscuits            | Item        | 648                      | 900                | 252               |
| Diet Lunch Meat     | Item        | 185                      | 179                | -6                |

Per Local Government Code (L.G.C.), § 262.024. (d) Counties shall solicit at least three bids for purchases of food items by telephone or written quotation at intervals specified by the Commissioners' Court. Counties shall award food purchase contracts to the responsible bidder who submits the lowest and best bid or shall reject all bids and repeat the bidding process, as provided by this subsection. The purchasing officer taking telephone or written bids under this subsection shall maintain, on a form approved by the Commissioners' Court, a record of all bids solicited and the vendors contacted. This record shall be kept in the purchasing office in accordance with government record retention policies. Per Dallas County policy 90-373, all department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. As a best practice, management should maintain accurate and complete inventory records by reducing counts as quantities are consumed, adding quantities purchased, and performing periodic inventory counts. Inventory adjustments should be evidenced, approved, and actively supervised by management. This occurred because the Buyer was unable to locate the vendor bid sheet and

does not keep accurate inventory records as food is consumed and purchased. As a result, we were unable to verify the accuracy of the bid valuation to determine if the lowest bid was selected and the department cannot accurately reflect the amount of goods it has on hand which could result in loss or misappropriation of inventory.

**Recommendation**

**Food for Prisoners**

Management should review Cook Chill bid documentation to ensure that at least three bids for the purchases of food items is obtained by the department and that the department maintain, on a form approved by the commissioners’ court, a record of all bids solicited and the vendors contacted. Additionally, management should maintain accurate and complete inventory records by reducing counts as quantities are consumed, adding quantities purchased, and performing periodic inventory counts. Inventory adjustments should be evidenced, approved, and actively supervised by management.

**Management Action Plan**

We agree with your recommendation. Inventory software is being explored to incorporate in the Cook Chill inventory records to accurately maintain records. Supervisory controls will also be reviewed and established as necessary.

**Auditors Response**

None

**Food Costing Review**

We reviewed the Monthly Cost Data Reports, compiled by Cook Chill for the National School Lunch Program (NSLP), that discloses the costs for feeding inmates and identified that salaries, wages, and benefits are annualized (using the Budget Analysis report) rather than actual monthly costs; and transportation costs for mileage allocated to Juvenile was calculated using 54 cents per mile instead of 53.5 cents (the IRS rate beginning January 2017), inflating transportation costs by \$139.81.

The following are differences between the costs reported by the department on NSLP Reports and expenses posted in Oracle:

| <b>Expense Description</b> | <b>Expenditures per Dept.</b> | <b>Expenditures per Oracle</b> | <b>Difference</b>     |
|----------------------------|-------------------------------|--------------------------------|-----------------------|
| Salary Costs               | \$ 4,184,256.01               | \$ 4,990,534.10                | \$ 806,278.09         |
| Grocery Costs              | \$ 9,926,656.20               | \$ 8,772,571.74                | \$ (1,154,084.46)     |
| Electric Costs             | \$ 263,168.57                 | \$ 404,545.89                  | \$ 141,377.32         |
| Natural Gas Costs          | \$ 150,592.20                 | \$ 179,106.95                  | \$ 28,514.75          |
| Water Costs                | \$ 152,504.28                 | \$ 146,910.21                  | \$ (5,594.07)         |
| <b>Total</b>               | <b>\$14,677,177.26</b>        | <b>\$14,493,668.89</b>         | <b>(\$183,508.37)</b> |

The U.S. Department of Agriculture's Professional Standards states that school nutrition professions under code 3310 shall "Implement a system of checks and balances to ensure accuracy and integrity of meal counting and claiming, funds collected, and record keeping" and under code 3320 shall "Establish and document appropriate accounting procedures for all revenues and expenses, ensuring that all procedures comply with Federal, State, and local regulations and Administrative Review." NSLP reports and Meal Production/Grocery Cost Reports are accurately and timely completed. The IRS establishes the standard mileage rate annually. This occurred because of a lack of supervisory review over the process, no accrual process for the estimation of costs and reversal for actuals costs, and reliance on budgeted rather than actual expenses. As a result, inaccurate data may be reported for monthly expenditures that determine the average meal cost for inmates.

**Recommendation**

**Food Costing Review**

Management should implement accounting procedures to accurately and completely report monthly meal, production, grocery, and other costs on NSLP Reports. The costs should be reviewed by management prior to reporting to the state and federal agencies. Cook Chill in preparing the reports should obtain documentation to support actual costs, when available, and accrue expenses when obtaining the actual cost is not feasible. The accrual should be reversed in the subsequent month with the inclusion of the actual cost. The department should obtain and utilize the IRS standard mileage rate annually and update the rate used when it is changed.

**Management Action Plan**

We agree with your recommendation. Management will review the current accounting procedures and utilize the County's General Ledger for assistance in reporting and reviewing actual costs. National School Lunch Program (NSLP) reporting review is necessary to assist in accurately reporting numbers.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator