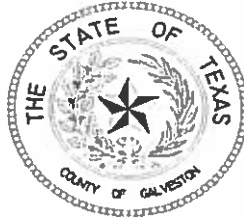


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

December 30, 2019

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry and Members of the Court:

Attached to be received and filed are the internal audit reports of the Sheriff's Office Commissary and Inmate Property accounts. The audits covered the period of September 1, 2018 through August 31, 2019. Also attached is the response letter from Sheriff Trochesset.

Sincerely,

Randall Rice CPA

Digitally signed by Randall Rice CPA
DN: cn=Randall Rice CPA, o=Galveston
County, ou=County Auditor,
email=randall.rice@co.galveston.tx.us, c=US
Date: 2019.12.12 13:10:00 -06'00'

Randall Rice CPA
County Auditor

cc: Henry Trochesset, Galveston County Sheriff

Attachment: Sheriff's Office Commissary Audit Report
Sheriff's Office Inmate Property Audit Report
Response Letter to Commissary & Inmate Property Audits, Henry Trochesset, Galveston County Sheriff



Sheriff's Office Commissary Account Internal Audit Report

November 13, 2019

Galveston County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM DABFA
CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

- The Sheriff's Office should review invoices for accuracy prior to paying them, as well as determine a method to track invoices that have already been paid so duplicate payments do not occur.

Safeguarding of Assets (page 4)

- Controls are in place to ensure staff secures the financial assets (check stock for the commissary bank account) in the locked safe in the Inmate Accountant's office.
- The Auditor's Office is working with the Inmate Accountant to complete the Commissary bank reconciliation up to date.

Compliance with Statutes, Policies and Procedures (page 5-6)

- The Sheriff's Office commissary operation is in compliance with Texas Administrative Code §291.3 and Local Government Code §351.0415.

Statistical Analysis (page 7-8)

- Commissary sales have grown 46% in the last five years, increasing from \$1,180,520 in FY2015 to \$1,718,488 in FY2019.
- Inmate services supplies made up nearly half (42%) of the disbursements, followed by facility technology (14%), facility maintenance (13%) and staff salary (11%).

Introduction

The Internal Audit Division conducted an internal audit of the Sheriff's Office Commissary Account in accordance with Local Government Code (LGC) §351.0415 and Government Code (GC) §511.016. The internal audit covered the period from September 1, 2018 through August 31, 2019. The audit was performed from September 30, 2019 through November 13, 2019.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information
- Safeguarding of assets
- Compliance with laws, regulations, contracts, policies, plans and procedures

The scope of the internal audit encompassed the financial records and administrative procedures related to the Sheriff's Office Commissary Account. The internal audit included, but was not limited to, the books, accounts, reports and records of the Sheriff's Office Commissary Account, Trinity Services Group, Inc. and Global Tel*Link Corporation.

The internal audit included examining transactions on a test basis and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the Galveston County Sheriff's Office as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care. A copy of this report will be submitted to the Texas Commission on Jail Standards pursuant to Texas Administrative Code (TAC), Title 37, Part 9, Rule §291.3 (4).

Jordan Speer, Internal Audit Supervisor, performed the audit.

Reliability and Integrity of Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction and have custody of the assets. The office has instituted procedures to separate the custody of the assets from the recording and authorization functions. The office has an effective separation of duties.

Commissary and Phone Time Sales

Inmates make commissary orders by selecting items (including phone time) from the kiosk located in the pod using their unique ID number. This authorizes the commissary vendor, Trinity Services Group, Inc. (Trinity), to fill the order and deduct the purchase from the inmate's trust account, managed in the Sheriff's Jail Management System (JMS) through a direct batch interface. Upon delivery of the goods, the vendor will issue credits to the inmate's trust account for items not received by the inmates.

Trinity presents invoices for the regular commissary sales (less applicable commission) to the jail's Inmate Accountant in the Sheriff's Office for payment. Global Tel*Link Corporation (GTL) presents invoices for the phone sales purchased through commissary by the inmates for payment. The appropriate amounts are transferred from the inmate property account to the commissary account and checks are written to each vendor.

Finding: Trinity over-billed the Sheriff's Office on invoices GALV7252019, GALV8012019, GALV8082019, GALV8152019, GALV8222019, GALV8292019, GALV9052019 and GALV9122019, resulting in the Sheriff's Office over-paying Trinity by a total of \$14,983.86.

Finding: Trinity invoice GALV4042019 was paid twice by the Sheriff's Office, resulting in an overpayment to Trinity of \$19,912.17.

Recommendation SOC-19-01: The Sheriff's Office and Trinity determined the best course of action for these over-payments is for Trinity to issue a refund check for the total amount overpaid to the Sheriff's Office. To decrease the likelihood of future over-payments, the Sheriff's Office should review invoices for accuracy prior to paying them, as well as determine a method to track invoices that have already been paid so duplicate payments do not occur.

Commissary Disbursements

The disbursements from the proceeds of the commissary sales require management approval and two signatures on the checks. Invoices should be matched to receiving reports before they are paid. Receiving reports that are accurate help ensure that goods paid for were received.

No issues were noted during the review of commissary disbursements.

Safeguarding of Assets

Safeguarding of assets has three basic components: 1) physical security of the assets, 2) minimal exposure to loss and 3) proper management of the collections.

Physical Security

Physical security encompasses any method to physically secure the assets from loss. Assets not being used should be kept in a locked drawer or safe until they are needed. Controls are in place to ensure staff secures the financial assets (check stock for the commissary bank account) in the locked safe in the Inmate Accountant's office.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management available to any official. The reconciliation process identifies any discrepancies in the account and assists in preventing the misuse of funds.

The office has not submitted the monthly reconciliation for the Commissary bank account for the month of August 2019. The Auditor's Office is working with the Inmate Accountant to complete the bank reconciliation up to date.

Compliance with Statutes, Policies and Procedures

LGC §351.0415 Commissary Operation by Sheriff or Private Vendor

Local Government Code (LGC) §351.0415(a) states the sheriff of a county may operate a commissary for the use of the inmates committed to the county jail. The commissary must be operated in accordance with rules adopted by the Commission on Jail Standards. LGC §351.0415(b) grants exclusive control of the commissary funds to the sheriff. The sheriff 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 shall accept new bids to renew contracts of commissary suppliers every five years.

A 'Commissary Services Agreement' between the County of Galveston and Trinity went into effect on April 1, 2014. The second renewal signed March 12, 2018 extended the agreement through March 31, 2019. New bids to contract for commissary service for the Galveston County jail occurred in March 2019 and Trinity was again selected to be the commissary vendor. The current 'Commissary Services Agreement' between the County of Galveston and Trinity went into effect June 3, 2019.

LGC §351.0415(c) states the sheriff may use commissary proceeds only to:

- (1) Fund, staff and equip a program addressing the social, educational, recreational, religious or counseling needs of the inmates;
- (2) Supply inmates with clothing, writing materials and hygiene supplies;
- (3) Establish, staff and equip the commissary operation and fund the salaries of the inmate property accountant;
- (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.

Internal audit reviewed the disbursements from the commissary proceeds for the audit period. All were in compliance with LGC §351.0415(c).

Compliance with Statutes, Policies and Procedures (Continued)

TAC §291.3 Inmate Commissary Plan

Texas Administrative Code (TAC) Title 37, Part 9, Rule §291.3 states each facility shall have and implement a written plan, approved by the commission, governing the availability and use of an inmate commissary which allows for the purchase of hygiene items and sundries. The plan shall:

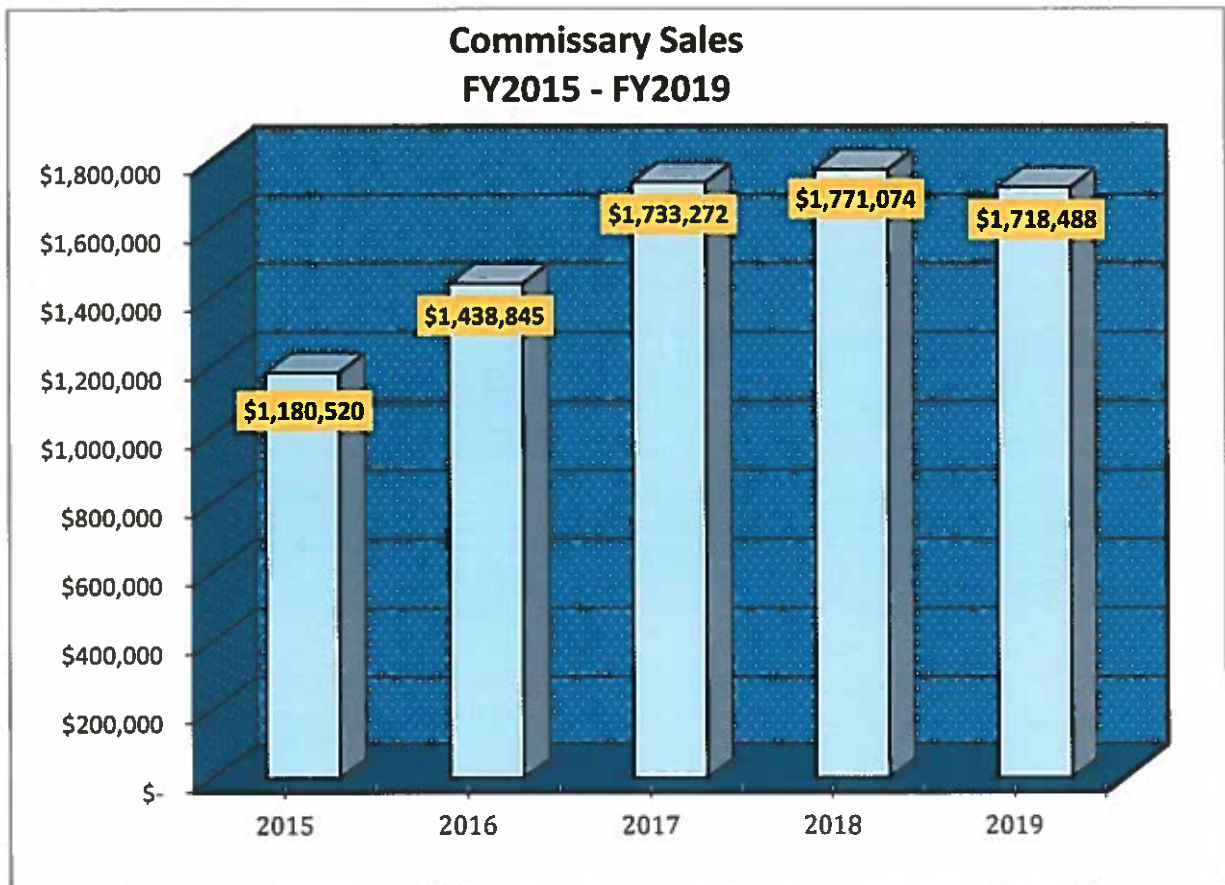
- (1) Indicate type of services, in-house or vendor;
- (2) Indicate frequency of services;
- (3) Provide procedures for inmates obtaining items;
- (4) Provide for yearly audits by the county auditor in accordance with LGC §351.0415. The audits shall be submitted to the commission not later than ten days following completion; and
- (5) Provide that all expenditures from commissary proceeds be made in accordance with LGC §351.0415.

The Sheriff's Office provides each inmate a 'Galveston County Sheriff's Office Inmate Handbook' when they are booked into the jail. The handbook provides information about the commissary including the purchasing process, the types of items available for purchase and the frequency of services.

The Auditor's Office submits a copy of the audit report to the Texas Commission on Jail Standards immediately following Commissioners Court approval of the audit report.

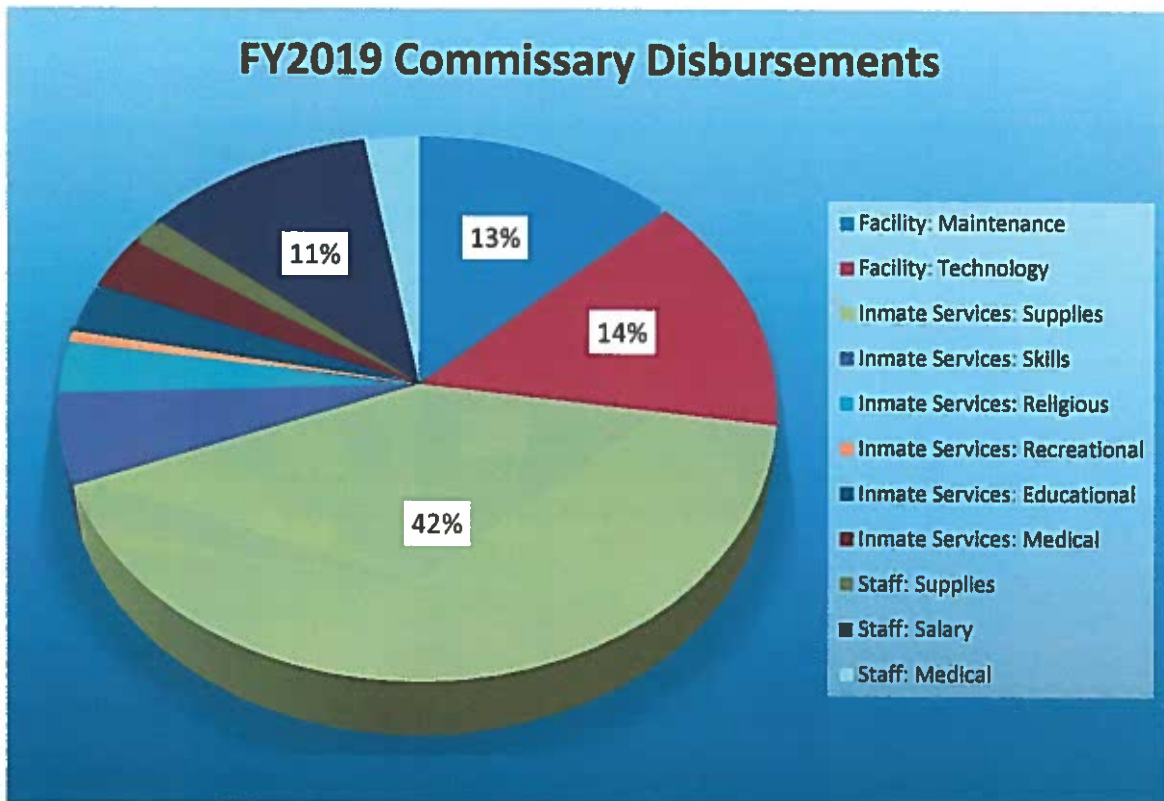
Statistical Analysis

A statistical analysis was performed on commissary sales from FY2015 through FY2019. Commissary sales have grown 46% in the last five years, increasing from \$1,180,520 in FY2015 to \$1,718,488 in FY2019. The increase in commissary sales is largely due to an increase in methods available for providing funds to the inmates. Family and friends can now provide funding by using the kiosk in the jail lobby (credit card or cash), ConnectNetwork online or by phone (credit card) or money order sent through the mail. The following chart reflects the trend of commissary sales over five years.



Statistical Analysis (Continued)

A statistical analysis was performed on commissary disbursements for the audit period. The analysis did not include disbursements to vendors for commissary sales (commissary goods and phone sales). Inmate services supplies made up nearly half (42%) of the disbursements. The next three largest categories of disbursements were for facility technology (14%), facility maintenance (13%) and staff salary (11%). The following chart reflects this analysis.





Sheriff's Office Inmate Property Account Internal Audit Report

November 13, 2019

Galveston County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

- Controls over record keeping and recording are adequate and effective. The information is reliable.

Safeguarding of Assets (page 4)

- Adequate controls in physical security of assets are in place.
- The Auditor's Office is working with the Inmate Accountant to complete the Inmate Property bank reconciliation up to date.
- The Auditor's Office is working with the Inmate Accountant to determine how the \$4,320.25 adjustment on the Inmate Property ACH bank reconciliation can be resolved.

Compliance with Statutes, Policies and Procedures (page 5)

- To be in compliance with office policy, the office should transfer funds from the ACH bank account to the Inmate Property account on a weekly basis.

Introduction

The Internal Audit Division conducted an internal audit of the Sheriff's Office Inmate Property Account in accordance with Local Government Code (LGC) §351.0415 and Government Code (GC) §511.016. The internal audit covered the period from September 1, 2018 through August 31, 2019. The audit was performed from September 30, 2019 through November 13, 2019.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information
- Safeguarding of assets
- Compliance with laws, regulations, contracts, policies, plans and procedures

The scope of the internal audit encompassed the financial records and administrative procedures related to the Sheriff's Office Inmate Property Account. The internal audit included, but was not limited to, the books, accounts, reports and records of the Sheriff's Office Inmate Property Account.

The internal audit included examining transactions on a test basis and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the Galveston County Sheriff's Office as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Jordan Speer, Internal Audit Supervisor, performed the audit.

Reliability and Integrity of Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction and have custody of the assets. An inmate trust account is established when an inmate is booked into the county jail and he or she has any cash or a check from another agency. Inmates use the booking kiosk for cash. If the inmate has a check, or if the kiosk does not accept their cash, deputies in booking will use a coin and currency counter to count the inmate's money. The inmate signs a receipt acknowledging the amount is correct. At the end of the shift, all collections are placed into a safe. The Inmate Accountant picks up the money each weekday and prepares the collections for deposit.

An inmate's family or friends can send money orders to the jail to add to the inmate's account by mail. Inmates can use the monies in their account to make purchases from the commissary. The Inmate Accountant receipts the mail-in payments into the Jail Management System (JMS). The money orders are deposited electronically in the bank by the Inmate Accountant.

An inmate's family or friends can also deposit money into an inmate's account with a credit card using the kiosk in the jail visitation center, online or over the phone. Deposits made through the kiosk, online or by phone are administered by Global Tel*Link Corporation (GTL). GTL electronically deposits the funds into the inmate trust account (ACH account).

The Inmate Accountant handles all questions and complaints concerning inmates' accounts. This provides a level of assurance the deposits made into inmates' accounts are properly recorded and processed in a timely manner.

Commissary purchases are deducted from an inmate's account via a direct computer interface between the commissary vendor's system (Canteen Manager) and JMS. At the end of each month, a check is written to the commissary account to pay for all purchases.

Controls over the record keeping and recording are adequate and effective. The information is reliable.

Safeguarding of Assets

Safeguarding of assets has three basic components: 1) physical security of the collections, 2) minimal exposure to loss and 3) proper management of the collections.

Physical Security

Physical security encompasses any method to physically secure the collections from loss. Monies seized from an individual during booking are secured in a safe until picked up by the Inmate Accountant for deposit.

Minimizing Exposure to Loss

Daily depositing is one of the best methods of minimizing exposure of monies to loss. Monies mailed to the Sheriff's Office for an inmate must be in the form of a money order and are electronically scanned to the bank on a daily basis.

Management of Collections

Bank reconciliations, properly prepared and adequately supported, are one of the best methods of cash management available to an official. The office has not submitted the monthly bank reconciliation for the Inmate Property bank account for the month of August 2019. The Auditor's Office is working with the Inmate Accountant to complete the bank reconciliation up to date.

Inmate Property Account

Due to the software limitations of JMS preventing the user from obtaining an account balance for a previous date, the internal auditor could not perform a typical 4-column proof of cash bank reconciliation. As an alternative, the internal auditor compared the JMS inmate account balance report to the inmate property bank account balance as of November 13, 2019. It was determined Sheriff Trochesset's inmate property account can meet its liability to the inmates.

Inmate Property ACH Account

The auditor performed a 4-column proof of cash bank reconciliation on the Inmate Property ACH account by comparing the bank statement amounts to the amounts recorded in the GTL Offender Connect Website for accuracy. There has been an adjustment in the bank reconciliation since June 2019 for \$4,320.25. The Auditor's Office is working with the Inmate Accountant to determine how this adjustment can be resolved.

Compliance with Statutes, Policies and Procedures

As part of the audit, the auditor evaluated the adequacy and effectiveness of the internal controls regarding the compliance with laws, regulations, contracts, policies and procedures.

Inmate Property Fund Transfers

Money for inmates received through GTL (via kiosk, online or phone) is deposited directly into the Inmate Property ACH bank account. The office's policy is for the inmate accountant to transfer the funds from the ACH bank account to the Inmate Property bank account once a week.

Finding: Funds from the ACH bank account to the Inmate Property bank account were not consistently transferred on a weekly basis during the audit period.

Recommendation SOIP-19-01: To be in compliance with office policy, the office should transfer funds from the ACH bank account to the Inmate Property account on a weekly basis.



Henry A. Trochesset
Sheriff
Galveston County

Inmate Commissary Account Finding: Trinity over-billed the Sheriff Office on invoices resulting in the Sheriff's Office over-paying by a total of \$14,983.86. Trinity invoice GALV4042019 was paid twice by the Sheriff's Office, resulting in an overpayment to Trinity of \$19,912.17.

We will counsel with the Commissary Financial Coordinator on the importance of reviewing invoices for accuracy prior to paying them and a method to track invoices that have already been paid so duplicate payments do not occur. The Sheriff's Office with the assistance of the Auditor's Office is working with Trinity to reconcile the over-payments and duplicate invoice payment. We are in process of training a backup coordinator to assist with this process when the Commissary Financial Coordinator is off due to illness or vacations.

Sincerely,

Henry Trochesset
Sheriff Henry Trochesset

To Protect and Serve

601 54TH STREET • SUITE 2100 • GALVESTON, TEXAS 77551 • PHONE: 409-766-2300



Henry A. Trochesset
Sheriff
Galveston County

Inmate Property Fund Transfer Finding: Funds from ACH bank account to the Inmate Property bank account were not consistently transferred on a weekly basis during the audit period.

We will counsel with the Commissary Financial Coordinator on the importance of transferring funds on a weekly basis. We are in process of training a backup coordinator to assist with this process when the Commissary Financial Coordinator is off due to illness or vacations.

Sincerely,

Henry Trochesset
Sheriff Henry Trochesset

To Protect and Serve

601 54TH STREET • SUITE 2100 • GALVESTON, TEXAS 77551 • PHONE 409-766 2300