

# GALVESTON COUNTY



## Office of County Auditor

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December 18, 2017

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 for your consideration are the internal audit reports of the Sheriff's Office Commissary and Inmate Property accounts. The audits covered the period of September 1, 2016 through August 31, 2017. Also attached is the response letter from Sheriff Trochesset dated November 29, 2017.

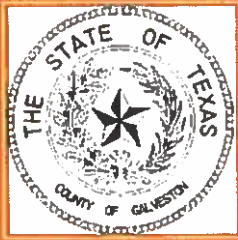
Sincerely,

A handwritten signature in blue ink, appearing to read "R. Rice CPA".

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 3, 2017

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 3-4)

- Disbursements were properly authorized, supported and recorded.
- Commissary sales were properly authorized, supported, valued and recorded.
- The Sheriff's Office should request GTL to provide copies of the monthly detail reports as support documentation to the amounts of phone commission paid to the county.

## Safeguarding of Assets (page 5)

- Bank reconciliations were accurate, complete and timely.

## Compliance with Statutes, Policies and Procedures (page 6-7)

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

## Statistical Analysis (page 8-9)

- Commissary sales have doubled in the last 4 years, increasing from \$815,936 in FY2013 to \$1,691,505 in FY2017.
- Inmate services supplies made up half (51%) of the disbursements, followed by facility maintenance (15%) and staff salary (13%).

# 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, 2016 through August 31, 2017. The audit was performed from September 12, 2017 through November 3, 2017.

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, dockets 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).

Madeline Walker, Compliance Audit Team Lead, 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. Once the Inmate Accountant verifies the invoices are accurate, the appropriate amounts are transferred from the inmate trust account to the commissary account and checks are written to each vendor.

No material discrepancies were noted in the review of commissary or phone time sales.

## Phone Commission

The Sheriff's Office receives commission from GTL (the provider of the phone service) on the usage of phone time for debit calls made by the inmates based on a contractually agreed upon rate. In February 2017, GTL changed the source and format of the reports the county used to verify the amounts of commission received for phone usage. The county continues to receive commission, but is unable to verify the accuracy of the amounts due to unresolved technical issues. County I.T. has worked with GTL, however has not been able to resolve these issues.

**Finding:** The county was unable to verify the accuracy of the amounts of phone commission submitted by GTL.

**Recommendation SOC-17-1:** The Sheriff's Office should request GTL to provide copies of the monthly detail reports as support documentation to the amounts of phone commission paid to the county.

## **Reliability and Integrity of Information (cont'd)**

### **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 collections 2) minimal exposure to loss and 3) proper management of the collections.

Commissary operations do not involve any currency transactions. The sales are recorded and charged through a direct computer interface. Funds are transferred from the inmate trust account to the commissary account by check at the end of each month.

### **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 bond account and assists in preventing the misuse of funds.

The Sheriff's Office Inmate Accountant performs a commissary account bank reconciliation each month and submits a copy to the Auditor's Office.

No discrepancies were noted in the review of bank reconciliations.

# **Compliance with Statutes, Policies and Procedures**

## **LGC § 351.0415 Commissary Operation by Sheriff or Private Vendor**

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 'Food Services Agreement' between the County of Galveston and Trinity Services, LLC went into effect on March 19, 2014. The second renewal notice for this agreement is scheduled for March 19, 2018. New bids to renew the contract for food service for the Galveston County jail is not expected until FY2019.

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**

**(cont.)**

## **TAC §291.3 Inmate Commissary Plan**

TAC §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:

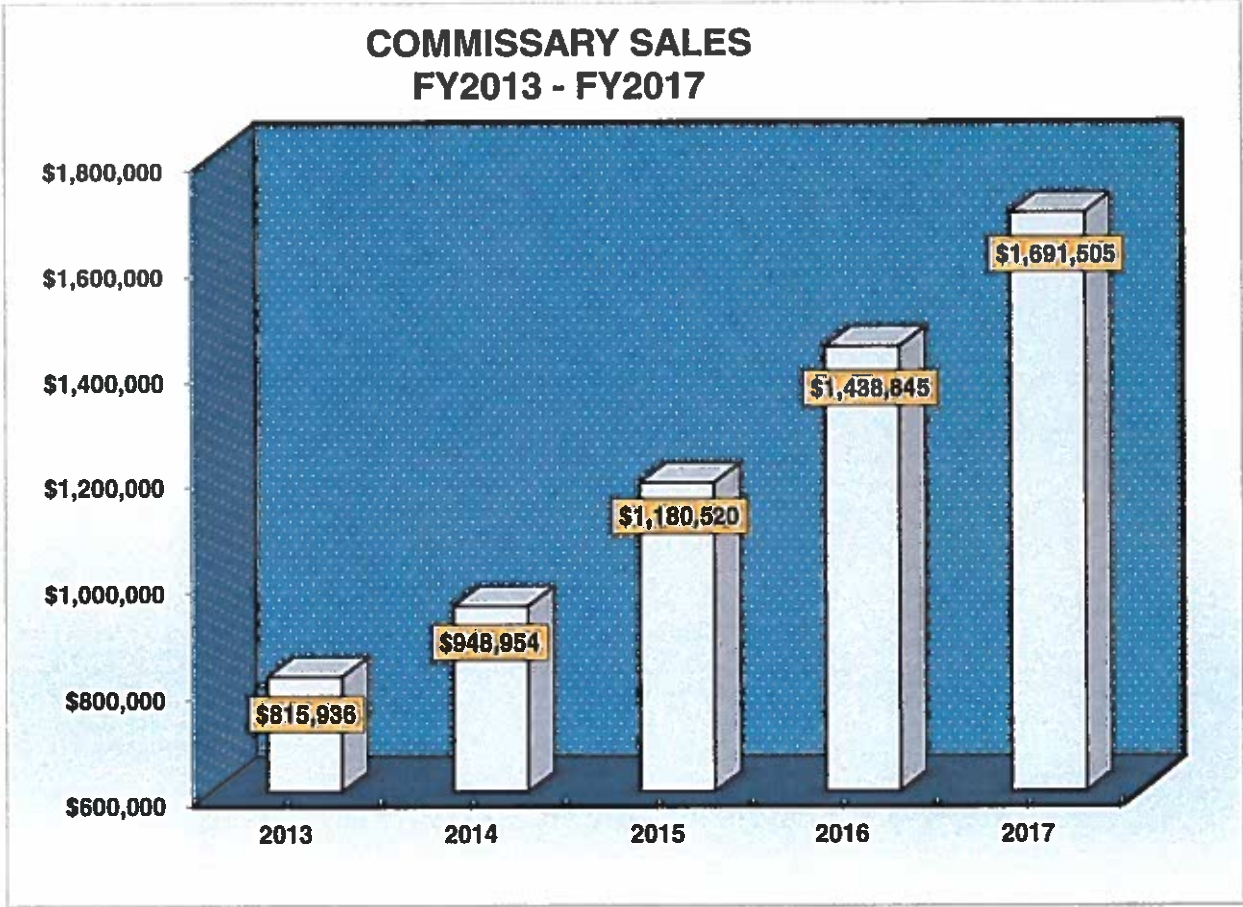
- (1) Indicate type of services, in-house or vendor;
- (2) Indicate frequency of services;
- (3) Provide procedures for inmates obtaining items;
- (4) Provide for yearly audits by the county auditor in accordance with LGC §351.0415. The audits shall be submitted to the commission not later than ten days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

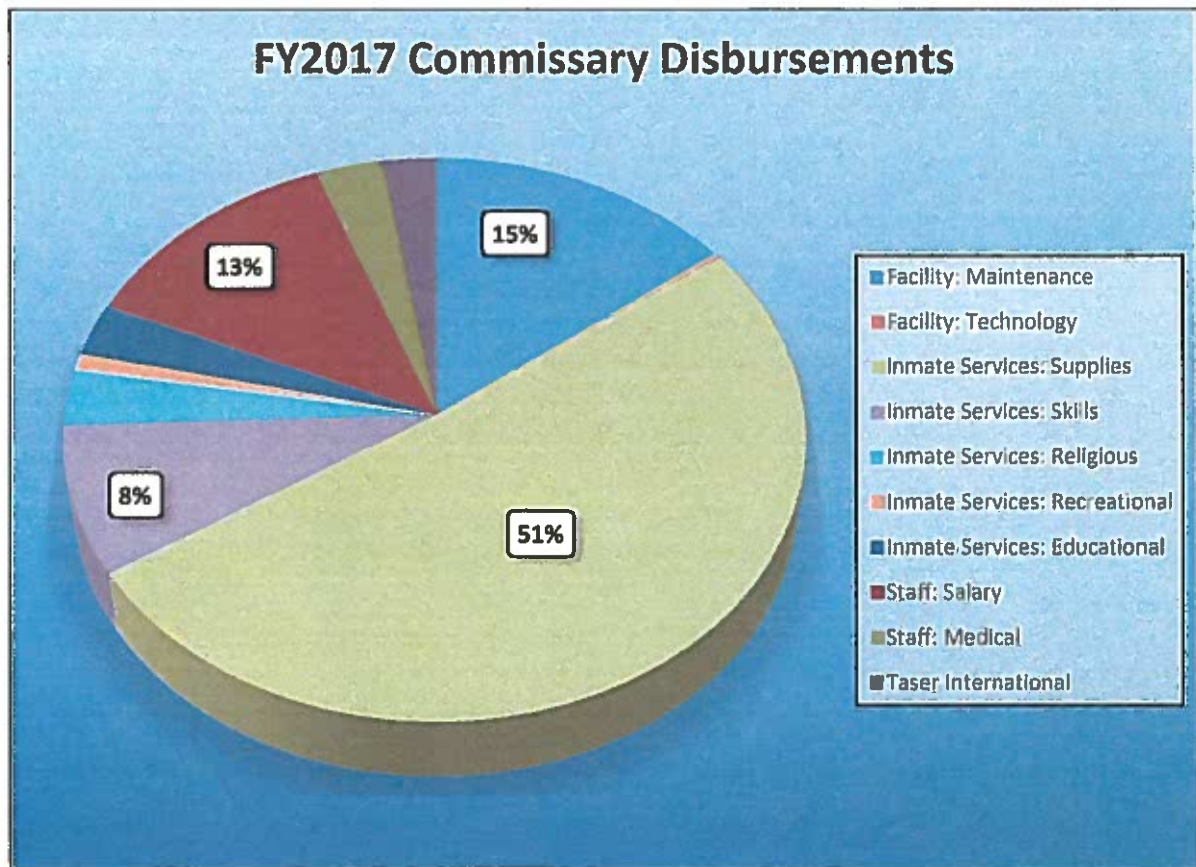
# Statistical Analysis

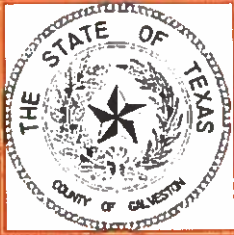
A statistical analysis was performed on commissary sales from FY2013 through FY2017. Commissary sales have doubled in the last 4 years, increasing from \$815,936 in FY2013 to \$1,691,505 in FY2017. The following chart reflects this trend.



## Statistical Analysis (cont.)

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 usage). Inmate services supplies made up half (51%) of the disbursements. The next two largest categories of disbursements was for facility maintenance (15%), which includes cleaning and exterminating supplies, and staff salary (13%). The following chart reflects this analysis.





# Sheriff's Office Inmate Property Account Internal Audit Report

November 3, 2017

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DASFA 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.
- No discrepancies were noted in the review of the inmate property account bank reconciliations.

## Compliance with Statutes, Policies and Procedures (page 5)

- Nothing came to our attention concerning non-compliance of statutes, policies or procedures.

# 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, 2016 through August 31, 2017. The audit was performed from September 12, 2017 through November 3, 2017.

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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, dockets 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.

Madeline Walker, Compliance Audit Team Lead, 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. The deputies in booking 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

Assets must be safeguarded from various types of losses such as those resulting from theft, fire, improper or illegal activities and exposure to elements.

## 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 Inmate Accountant performs monthly bank reconciliations for the Inmate Property Account and for the Inmate Property ACH account.

### 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 to verify the accuracy of the bank reconciliation. As an alternative, the internal auditor compared the JMS inmate account balance report to the inmate property bank account balance as of September 26, 2017. It was determined Sheriff Trochesset's inmate property account can meet its liability to the inmates.

### Inmate Property ACH Account

Money for inmates received through GTL (via kiosk, online or phone) is deposited directly into the Inmate Property ACH bank account. The inmate accountant transfers the funds from the ACH bank account to the Inmate Property bank account once a week. All transactions involving these bank accounts are performed electronically. A 4-column proof of cash bank reconciliation is performed monthly on the Inmate Property ACH account by comparing the bank statement amounts to the amounts recorded in the GTL Offender Connect Website for accuracy.

No discrepancies were noted in the review of the bank reconciliations of the inmate property accounts.



## **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.

Nothing came to our attention concerning non-compliance with any statutes, policies or procedures.



*Henry A. Trochesset*  
Sheriff  
Galveston County

November 29, 2017

Randall Rice CPA  
Galveston County Auditor  
P.O. Box 1418  
Galveston, TX 77553

Re: Galveston County Sheriff's Office FY 2017 Audits for Commissary and Inmate Property accounts

Dear Mr. Rice:

I have reviewed your draft reports of the FY 2017 Commissary and Inmate Property accounts and concur with the observations therein. In particular, we will request that all support documentation from GTL be provided when they issue their commission checks.

My staff and I, as always, welcome the assistance and guidance of your staff and office. In the last few years, our offices have worked closely together to maintain the accounts in order to comply with all of the requirements of the entities involved. We will continue to maintain the accounts in a timely, thorough and efficient manner.

Should you need any further information, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads 'Henry Trochesset'.

Henry Trochesset  
Sheriff, Galveston County

*To Protect and Serve*

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