



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
P.O. Box 1418
GALVESTON, TEXAS 77553

County Auditor
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February 1, 2016

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

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 from September 1, 2014 through August 31, 2015. Also attached are the response letters from Honorable Sheriff Trochesset, dated January 25, 2016.

Sincerely,

A handwritten signature in blue ink that reads "Rice CPA".

Randall Rice CPA
County Auditor

cc: Honorable Sheriff Trochesset

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



Sheriff's Office Commissary Account

December 18, 2015

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary	1
Introduction	2
Details	3-5

Executive Summary

Reliability and Integrity of Information (page 3)

- Disbursements were properly authorized, supported and recorded.
- Controls over recordkeeping and reporting can be improved by implementing the following recommendation:
 - The Sheriff's Office should only pay Trinity the supported amount for the invoices from May 2014 through October 2015, less the applicable commissions.

Safeguarding of Assets (page 4)

- The office can improve the management of assets by implementing the following recommendation:
 - Bank reconciliations should be submitted to the Auditor's Office by the 5th of each month.

Compliance with Statutes, Policies and Procedures (page 5)

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

Introduction

The Internal Audit Division conducted an internal audit of the Sheriff's Office Commissary Account as required by Local Government Code (LGC) § 351.0415 and Government Code (GC) § 511.016. The internal audit covered the period from September 1, 2014 through August 31, 2015. The audit was performed from September 3, 2015 through December 18, 2015.

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 and Trinity Services Group, Inc.

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 Guss, Information Systems 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 Sales

Inmates make commissary orders by selecting items from the kiosk located in the pod using their unique ID number. This authorizes the commissary vendor, Trinity Services Group, Inc., 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 to the jail's Inmate Accountant in the Sheriff's Office for payment. The Inmate Accountant reviews the invoices and other reports, writes a check from the inmate trust account to the commissary account for the gross sales, and pays Trinity. The Sheriff's Office retains a contractually agreed percentage of the net sales.

Finding: Trinity's support documentation did not agree with the invoiced amounts for the majority of invoices during the period of May 2014 through October 2015.

Finding: Trinity did not give the Sheriff's Office commission on phone cards sales from the period of May 2014 through October 2014.

Recommendation SOC-15-01: The Sheriff's Office should only pay Trinity the supported amount for the invoices from May 2014 through October 2015, less the applicable commissions.

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 and stamped when they are paid. Receiving reports that are accurate help ensure that goods paid for were received.

No material issues were noted during the review of commissary disbursements.

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.

Management of 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. Bank reconciliations, properly prepared and adequately supported, are one of the best methods of cash management available to an official.

Finding: The office did not submit properly prepared and adequately supported bank reconciliations to the Auditor's Office since April 2015. Internal Audit is assisting the new Inmate Accountant in completing the bank reconciliations through September 2015.

Recommendation SOC-15-02: Bank reconciliations should be submitted to the Auditor's Office by the 5th of each month.

Compliance with Statutes, Policies and Procedures

The primary statute governing the commissary operations by a sheriff or private vendor, LGC § 351.0415, vests exclusive control of the commissary funds with the sheriff. The County Auditor is to audit the commissary account yearly and submit a copy of the report to the Texas Commission on Jail Standards. Two basic requirements in this statute exist concerning these operations:

- Proceeds from the sales are used for the benefit of the inmates. The statute lists five general areas in which proceeds may be used that are considered for the benefit of the inmates.
- Sheriff may contract with a private vendor (renewable every five years) to run the commissary.

The Sheriff's Office has a contractual agreement with Trinity Services Group, Inc. through March 31, 2017. All expenditures tested were in compliance with LGC § 351.0415.

In addition, Texas Administrative Code § 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 Sheriff's Office gives each inmate a handbook at booking explaining jail rules. Commissary purchases are described in this handbook. Detailed directions on how and when commissary purchases can be made are posted in the inmate pods.



Henry A. Trochesset
Sheriff
Galveston County

January 25, 2016

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

Re: Sheriff's Office Commissary Account Audit FY 2015

Dear Mr. Rice:

I have reviewed your draft report of the FY 2015 Commissary Account and concur with the observations therein.

Since Trinity's supporting documentation did not agree with the invoiced amounts for almost all of the invoices between May 2014 and October 2015, it was determined that only the amounts with proper documentation would be paid. Checks were sent to Trinity on December 22nd (and received by them on December 24th) to cover those amounts, which could be verified as accurate, for the period May 2014 through November 2015 less the phone card commissions as appropriate. Efforts to obtain both invoices and corresponding source documentation for December 2015 to present are ongoing. Only those amounts with back-up documentation will be paid.

Our office is working to become current on outstanding bank reconciliations dating back to April 2015. This issue will be resolved and the records will become current as quickly as possible. I have noted that it is your recommendation that, once current, each bank reconciliation should be completed and submitted to the Auditor's Office by the 5th of the following month. I believe that this deadline is too concrete, as it does not allow time for weekends and holidays. Perhaps, a deadline such as "five business days upon receipt of the bank statement" is a more appropriate and achievable timeline.

My staff and I, as always, welcome the assistance and guidance of your staff and office. Your willingness to assist in various aspects of the Inmate Accounting function has been appreciated as we strive to improve in this area.

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

To Protect and Serve



Sheriff's Office Inmate Property Account

December 4, 2015

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary 1
Introduction 2
Details 3-5

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.
- Sheriff's Office can meet its liability to the inmates.

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 as required by Local Government Code (LGC) § 351.0415 and Government Code (GC) § 511.016. The internal audit covered the period from September 1, 2014 through August 31, 2015. The audit was performed from September 3, 2015 through December 4, 2015.

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, 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. 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 Guss, Information Systems 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.

During the audit period, the office did not deposit inmate trust monies in a timely manner. However, after the audit period, a personnel change occurred in the Inmate Accountant position. The new Inmate Accountant has implemented a policy to deposit daily when possible as of October 2015.

Management of Collections

Bank reconciliations, properly prepared and adequately supported, are one of the best methods of cash management available to an official. A bank reconciliation for the inmate property account has not been performed since December 2014. The software capabilities of JMS do not allow the user to obtain an account balance for a previous date, preventing the internal auditor from performing a typical 4-column proof of cash. As an alternative, the internal auditor ran a JMS inmate account balance report on November 19, 2015. The report balance was compared to the inmate property bank account balance. It was determined that Sheriff Trochesset's inmate property account can meet its liability to the inmates.

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

January 25, 2016

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

Re: Sheriff's Office Inmate Property Account Audit FY 2015

Dear Mr. Rice:

I have reviewed your draft report of the FY 2015 Inmate Property Account and concur with the observations therein.

As you are aware, a change in personnel for the Inmate Accountant position has resulted in some changes to daily procedures. Specifically, money orders are collected daily and input on each business day in order to allow inmates prompt access to their funds. I expect this change to be permanent.

In addition, the backlog of bank reconciliations is being addressed. This issue will be resolved and the accounting records will become current as quickly as possible.

My staff and I appreciate the work and efforts of your office to assist us in the improvement of our Inmate Accounting system. Your staff has been instrumental in providing guidance, support and input toward our endeavors to succeed.

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

To Protect and Serve