



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

BARBARA PARKER, CPA, CIA
COUNTY AUDITOR
B.Parker@epcountytx.gov
www.epcounty.com/auditor

Downtown County Annex
320 S. Campbell, Suite 140
El Paso, Texas 79901
(915) 273-3262
(915) 273-3266 FAX

06-05

June 13, 2024

The Honorable Richard D. Wiles
El Paso County Sheriff
3850 Justice Drive
El Paso, Texas 79938

Dear Sheriff Wiles:

The County Auditor's Internal Audit division performed an audit of the El Paso County Sheriff's Jail Commissary to determine if internal controls are adequate to ensure proper statement of inmate accounts and proper preparation of Commissary Inmate Profit Fund financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested two operational and seven financial controls using 368 samples. There were two findings noted as a result of the audit procedures. We wish to thank the management and staff of the Sheriff's Office, Aramark, and Summit for their assistance their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

A handwritten signature in blue ink that reads "Barbara Parker".

Barbara Parker
County Auditor

BP:PH:ya

cc: Ms. Betsy Keller, Chief Administrator



**EL PASO COUNTY SHERIFF'S OFFICE
JANUARY 2023 – MARCH 2024
JAIL COMMISSARY AUDIT
EXECUTIVE SUMMARY**

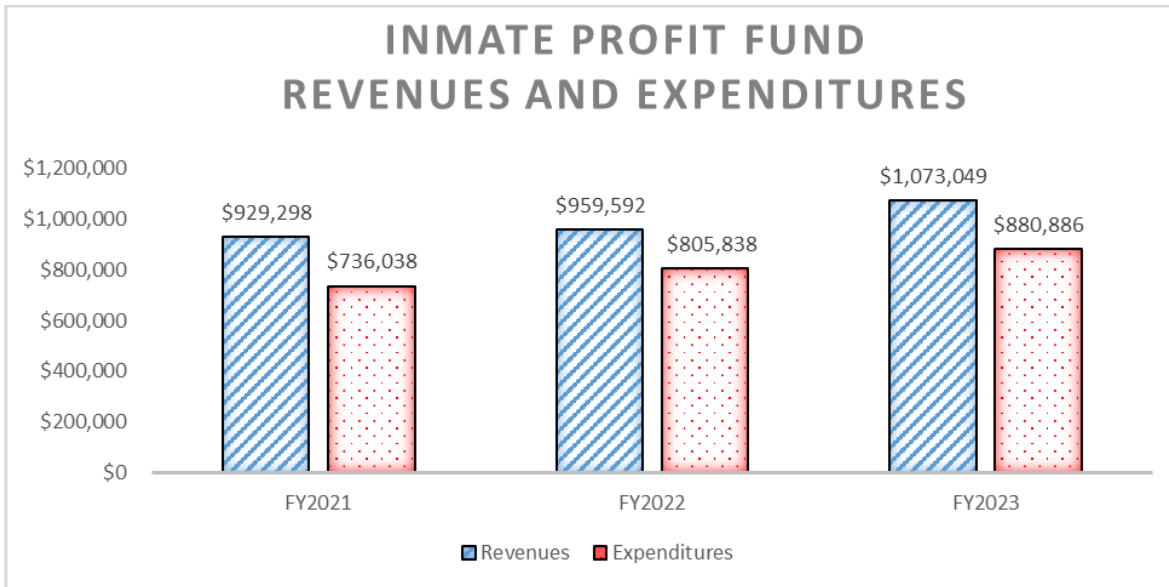


BACKGROUND

The Jail Commissary, operated by Aramark Corporation and Eloir, Inc (doing business as Summit), is for the use of County jail inmates to purchase personal hygiene items, snacks, stationery, and phone time. Jail Commissary sales commissions fund the Inmate Profit Fund, which may be used for expenditures outlined in *Local Government Code (LGC) §351.0415 (c)*. Summit entered into a contractual agreement for food services effective May 2023 and in March 2024, an additional contract for offerings related to Jail Commissary was established. Financial reporting was reviewed using information from the Inmate Trust Bank Statement, Enterprise ERP (the County financial system) and the Aramark Core System. Internal Sheriff's Office reporting was also used during the audit. The current Sheriff has been in Office since 2009. The audit was performed by Patrice Hills, CIA, internal auditor certified. The most recent prior audit report was issued on May 23, 2023, with no findings.

FINANCIAL REPORTING

The Commissary Inmate Profit Fund fiscal year 2023 balance sheet; combined statement of revenues, expenditures and changes in fund balance; and schedule of revenues, expenditures and changes in fund balances – budget and actual as reported in the 2023 El Paso County Annual Comprehensive Financial Report (ACFR) are attached. The following chart is a report of Commissary Inmate Profit Fund revenues and expenditures for the past three fiscal years.



Source: El Paso County ACFR

SCOPE

The scope of the audit is from January 2023 through March 2024.

OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to the Jail Commissary. Following are the business objectives and related control assessments.

Business Objective	Control Assessment
1. Established and documented policies and procedures.	Satisfactory
2. Complete and accurate bank reconciliations.	Satisfactory
3. Accurate Inmate Commissary Account order and return credit transactions.	Satisfactory
4. Appropriate and timely posting of manual receipts to Aramark Core.	Satisfactory
5. Accurate and complete Commissary Sales Commissions.	Needs Improvement
6. Appropriate review and approval of allowable expenditures.	Satisfactory



**EL PASO COUNTY SHERIFF'S OFFICE
JANUARY 2023 – MARCH 2024
JAIL COMMISSARY AUDIT
EXECUTIVE SUMMARY**



METHODOLOGY

To achieve the audit objectives, we:

- Requested updated policies and procedures.
- Performed a surprise cash count in accordance with *LGC §115.0035*.
- Tested a sample of bank reconciliations for completeness and timeliness.
- Tested a sample of Inmate Commissary orders and return credits.
- Tested a sample of manual receipts for appropriate and timely posting to the Aramark Core System.
- Tested a sample of Jail Commissary Profit Fund Commissions and verified transfer to the Inmate Profit Fund.
- Tested a sample of personnel, operating, equipment and contracted services expenditures to verify compliance with *LGC§ 351.0415 (c)*.
- Interviewed various personnel to determine monitoring process for timely payment of accurate commissions percentage per the amended Summit contractual agreement.
- Reviewed Summit Inside Eats and Outside/Inside Agreement for Commissary Services contractual agreement for adequate internal controls and compared with prior Summit and Aramark Commissary contracts.

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for details and management action plans.

Controls Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Documented policies and procedures (Obj. 1) • Complete and accurate bank reconciliations (Obj. 2) • Accurate posting of Inmate Commissary Account order and return credit transactions (Obj. 3) • Timely posting of manual receipts to Aramark Core (Obj. 4) • Review and approval of Inmate Profit Fund expenditures (Obj. 6) 	<ul style="list-style-type: none"> • Accurate and complete Commissary Sales Commissions (Obj. 5)
Findings Summary	
<ol style="list-style-type: none"> 1. Commissions related to the Summit contracts have not been received by the Bond and Inmate Trust Section (BITS) staff. 2. Fresh Express invoices are being incorrectly paid using the Sheriff's Office Contracted Services general fund expense account, these payments should be administered using the Inmate Trust Bank Account. As of March 31, 2024, payments to Summit for Fresh Express invoicing total \$24,477.03. 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County's assets from loss, theft or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

The El Paso County Sheriff's Office met five of the six objectives of this audit. Implementation of the recommendations provided in this report should assist in producing complete and accurate financial reports by strengthening their internal control structure.



**EL PASO COUNTY SHERIFF'S OFFICE
 JANUARY 2023 – MARCH 2024
 JAIL COMMISSARY AUDIT
 FINDINGS AND ACTION PLANS**



Current Audit Findings & Action Plans

Finding #1		Risk Level
<p>Commissions Not Received – Commissions related to Summit contracts were not received by BITS staff.</p> <p>We reviewed bank statements and reconciliations for checks, transfers or deposits from Summit, verifying the absence of commissions. Since July 2023, commission revenues related to Summit contracts have not been received, nor deposited.</p> <p>Summit began providing cafeteria services beginning May 2023 and in July 2023, the vendor began offering two commissary services (Fresh Express and Outside/Inside) that generated commission revenue for the County. According to the Food Service Agreement, commissions should be paid at 20 percent of net sales on Fresh Express and Outside/Inside orders. Additionally, in March 2024, the Inside Eats and Outside/Inside Agreement for Commissary Services was finalized to further clarify commissary services and increased the commissions rates retroactively. According to this agreement, commissions should be paid at a rate of 35 percent of net sales.</p> <p>After conversations with BITS staff, Sheriff's Command staff and a Summit representative, it was determined that Sheriff's Command staff was instructing the Summit representative to hold commissions until appropriate personnel were identified and/or an appropriate account could be created. This instruction was incorrect because the appropriate personnel are BITS staff, who maintain all accounting transactions and records for the Inmate Trust Bank Account, and the appropriate account for commissions revenue, the Inmate Trust Bank Account, already exists.</p> <p>Other contributing factors for the prolonged duration without receipt of commissions revenue include lack of communication between divisions, typical difficulties associated with implementing a new vendor contract and lack of follow-up from all parties involved. Risks associated with this finding include misappropriation of funds and potential termination of contract for non-performance.</p> <p>To date, BITS Staff and Summit have had an in-person meeting to address delays in receipt of commissary commissions.</p>		M
Recommendation		
<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. Effective immediately, Summit should send past due commissions payments at 35 percent of net sales directly to BITS staff to ensure receipt by appropriate personnel. 2. BITS and Sheriff's Command staff should communicate and coordinate regarding roles and responsibilities and provide insight into each team's internal processes. 3. BITS and Summit staff should communicate and coordinate to ensure proper payment and continuity of operations is maintained. 4. BITS staff should document the Summit invoicing review process in their policies and procedures. 		
Action Plan		
Person Responsible	BITS staff/Sheriff's Command staff	Estimated Completion Date
		June 15, 2024
<p>BITS and Sheriff's Command staff will implement the recommendations above. Additionally, BITS Staff will work with Summit to address reporting discrepancies and payment of Fresh Express invoices.</p>		



**EL PASO COUNTY SHERIFF’S OFFICE
JANUARY 2023 – MARCH 2024
JAIL COMMISSARY AUDIT
FINDINGS AND ACTION PLANS**



Finding #2		Risk Level
<p>Payments from Incorrect Funding Source – Fresh Express invoices were paid from the wrong bank account.</p> <p>Review of Summit’s invoices revealed the vendor was paid for cafeteria service and Fresh Express items (a commissary service) from the County Consolidated bank account (Sheriff’s Office Contracted Services general fund expense account). This was incorrect. Best practices for payment of these invoices are: 1) Sheriff’s Command staff reviews and approves cafeteria service invoices for payment from the County Consolidated bank account and 2) BITS staff reviews and approves commissary services for payment from the Inmate Trust Bank Account.</p> <p>In July 2023, Summit began offering commissary services (Fresh Express and Outside/Inside) and began billing in October 2023. Prior to this time, invoices only contained cafeteria service items; verbal agreement was for separate billings to be sent for the two types of services. As invoices were received, Sheriff’s Command staff continued to review, approve and submit invoices containing both cafeteria service and commissary services items. The approved invoices were submitted to the Auditor’s Office and paid to Summit from the County Consolidated bank account (Sheriff’s Office Contracted Services general fund expense account) instead of being separated, sent to the appropriate personnel and paid from the correct accounts.</p> <p>The internal control designed to ensure appropriate payment of invoices is documented review and approval. Since Sheriff’s Command staff received, reviewed and approved the invoices, it was their responsibility to ensure accuracy of the billings and funding sources. Key factors which led to this outcome include difficulties associated with implementing a new vendor contract, lack of communication, confusion regarding roles and responsibilities and the combining of food and commissary services items on invoicing. Risks associated with this finding include misappropriation of funds and misclassification of expenses.</p>		M
Recommendation		
<p>We recommend the following:</p> <ol style="list-style-type: none"> 1. Ensure Sheriff’s Command staff performing invoice review and approval are trained on Summit invoicing to differentiate between cafeteria services that are paid from the general fund and commissary services that are paid from the inmate trust account. 2. Sheriff’s Command staff should address any billing issues with Summit to ensure invoices are processed in accordance with billing procedures and other special requests. 3. Sheriff’s Command staff should send commissary services invoicing to BITS staff to ensure receipt by appropriate personnel and payment from correct account. 		
Action Plan		
Person Responsible	Sheriff’s Command staff	Estimated Completion Date
		June 15, 2024
<p>As of May 15, 2024, recommendation items 1 and 3 have been implemented. To address recommendation item 2, Sheriff’s Command staff will facilitate in-person meetings and other forms of communication with Summit representatives as necessary.</p>		

County of El Paso, Texas
Schedule of Revenues, Expenditures, and
Changes in Fund balances - Budget and Actual
Commissary Inmate Profit Special Revenue Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$993,647	\$993,647	\$1,039,275	\$45,628
Interest	10,884	10,884	33,774	22,890
Miscellaneous				
Total revenues	1,004,531	1,004,531	1,073,049	68,518
EXPENDITURES				
Public Safety				
Personnel	213,503	247,756	239,256	8,500
Operating	2,510,898	2,515,425	589,683	1,925,742
Total public safety	2,724,401	2,763,181	828,939	1,934,242
Capital outlays				
Total expenditures	2,724,401	2,910,655	880,886	2,029,769
Excess (deficiency) of revenues over (under) expenditures	(1,719,870)	(1,906,124)	192,163	2,098,287
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Total other financing sources (uses)				
Net change in fund balance	(1,719,870)	(1,906,124)	192,163	2,098,287
Fund balances - beginning	1,979,746	1,979,746	1,979,746	
Prior period adjustments				
Fund balances - ending	\$259,876	\$73,622	\$2,171,909	\$2,098,287