

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**SHERIFF'S DEPARTMENT
COMMISSARY ADMINISTRATION AUDIT
SEPTEMBER 2004**

Alex J. McLaughlin, Comptroller

September 8, 2004

David E. Harder, Sheriff:

The Department of Audit and Control has conducted an audit of the Sheriff's Department Inmate Commissary Fund. The principle objective was to ascertain whether commissary funds are being used and accounted for properly in satisfaction with State Corrections Law. Auditing measures were performed to ensure that the Sheriff's Department has implemented adequate controls to effectively manage commissary funds, that bank reconciliations were properly prepared, and to ensure that the commissary account is properly collateralized.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, it is our opinion that the Sheriff's Department is in compliance with State Law regarding the commissary fund. It is also our opinion that some improvements are required in the system of internal controls that have been established by the Sheriff's Department relative to this fund, as outlined in the report.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Jeffrey P. Kraham, County Executive
Daniel A. Schofield, Chairman of the Legislature
Members of the Legislature
Louis P. Augostini, Clerk of the Legislature

COMMISSARY ADMINISTRATION AUDIT

Background Information:

The Commissary is designed for the purpose of making available, for sale to prisoners, personal and convenience items deemed proper by the Sheriff or Chief Administrative Officer consistent with the health and welfare of prisoners and the security and general operation of the facility. The commissary fund consists of the profit the Sheriff's department makes when inmates buy items (hygiene items, candy, chips and snacks, and other miscellaneous items such as writing pads, stamps, pencils, cards, envelopes, etc.) or make phone calls.

Profits from commissary sales are deposited in a separate bank account and are utilized only for purposes of prisoner welfare and rehabilitation. State Law requires that profits from the jail commissary be used to purchase items to benefit inmates. At the end of March 2004, the balance in the commissary fund was \$ 219,762.85, which includes monies from inmate commissary profits of \$72,409.75 and inmate phone revenue of \$147,353.10. The commissary funds are not part of the budget.

The primary objectives of this audit were to evaluate the internal controls over this function and to ensure statutory requirements related to the administration of the commissary are being complied with.

Prior Audit

June 2003.

AUDIT FINDINGS AND RECOMMENDATIONS, AND RESPONSES

FINDING 1: PROFITS FROM COMMISSARY SALES UTILIZED IN PROPER MANNER

Our audit testing confirmed that all profits from the commissary fund were deposited in a separate bank account for the welfare of inmates as prescribed by State Law.

Construction of a Pre-Engineered Vehicle Storage Building was approved in November 2003 with funds to be taken from the Sheriff's Inmate Commissary Fund. Monies for this project are taken exclusively from the inmate phone revenue portion of the fund. The Sheriff's Inmate Commissary Fund includes both monies from inmate commissary profits and inmate phone revenue.

Per the State Commission of Correction, inmate phone revenues may be used for any purchases deemed appropriate however inmate phone revenues must be clearly distinguishable from inmate commissary profits.

RECOMMENDATION 1:

We recommend that the Sheriff's department continue its current practices regarding use of commissary funds in compliance with State Law.

MANAGEMENT RESPONSE:

Agreed.

FINDING 2: BANK RECONCILIATIONS HAVE BEEN PROPERLY PREPARED

During the course of our examination, we examined the past twelve months of commissary account reconciliations for completeness and accuracy. From March 2003 through March 2004, the bank reconciliation for the commissary fund was properly prepared for each month.

Proper and accurate bank reconciliations help to ensure that funds are being properly managed and that no mistakes exist in the records.

RECOMMENDATION 2:

We recommend the Sheriff's Department continue its practices regarding bank reconciliations.

MANAGEMENT RESPONSE:

Agreed.

FINDING 3: PROPERLY EXECUTED CONTRACTS EXIST WITH COMMISSARY VENDORS

Contract agreement 12-513 between Broome County and Swanson Services Corporation grants to Swanson the exclusive right to sell commissary products to the inmates of the Broome County Correctional Facility. The agreement expires on October 31, 2004.

Contract agreement 12-532 between AT&T Corp. and Broome County, authorizes AT&T as the provider of inmate pay telephones and communications service on an exclusive basis. The agreement expires July 31, 2004. (At the time of our audit fieldwork, July 2004, all contracts were current and valid.)

RECOMMENDATION 3:

We recommend that the Sheriff's Department continue its practices regarding the execution of contracts in a timely and effective manner.

MANAGEMENT RESPONSE:

Agreed.

FINDING 4: COMMISSIONS ON COMMISSARY SALES ARE BEING PROPERLY COMPUTED AND PAID

During the course of our examination, we matched commissary sale revenues for the month of February 2004 with the commissions received in March 2004 (based on February sales), to ensure that commissions were being properly computed and paid.

We found the calculation of commissions and the corresponding amount received to be accurate and paid according to the respective contract terms.

RECOMMENDATION 4:

We recommend the Sheriffs' Department continue its practices in this area.

MANAGEMENT RESPONSE:

Agreed.

FINDING 5: ACCOUNTING ROUTINE NOT SET FORTH IN ACCOUNTING MANUALS

During the course of our examination, we discovered that the Sheriff's Department does not possess adequate written documentation that sets forth the policies and accounting procedures to be followed regarding the commissary account.

Policy statement Number II-18-F was instituted on 8/19/03 and addresses segregation of duties regarding the commissary account, however, a formal written policy for the accounting for the commissary funds is still lacking.

Written policies and procedures provide the guidelines necessary to ensure that the various accounting functions are being performed by the appropriate personnel in the proper manner.

Failure to maintain written policies and procedures may result in functions being performed by inappropriate personnel or in an improper manner. In addition, there are no guidelines to refer to when questions arise.

RECOMMENDATION 5:

We recommend that the Sheriff's Department prepare, implement, and maintain a written accounting policies and procedures manual in accordance with sound accounting practices.

MANAGEMENT RESPONSE:

In accordance with Audit's recommendation, the Sheriff's Department will make the recommended changes in accounting policies and procedures.

FINDING 6: PROPER DOCUMENTATION IS NOT ALWAYS MAINTAINED TO SUPPORT AUTHORIZATIONS AND DISBURSEMENTS

During the course of our examination, we discovered one instance in March 2004 where a payment was authorized but the invoice / receipt was missing from the file associated with the disbursement made.

Payments should not be issued without substantiation of cost. Making payments without verification may result in unnecessary over payment by the department and also increases the risk of fraud.

RECOMMENDATION 6:

We recommend that the Sheriff's department issue checks for payment only after verification of actual cost. Such verification should take the form of a proper invoice and evidence of delivery.

MANAGEMENT RESPONSE:

The Sheriff's department will ensure that proper documentation to support authorizations and disbursements is maintained.