

A Report to the
Chambers
County
Commissioners
Court

County Judge:

Jimmy Sylvia

Commissioners:

Jimmy Gore

Mark Tice

Tommy Hammond

Billy Combs



Sheriff's Office

Inmate Trust Fund 2020

Lyndsey Davis, CFE

October 7, 2021

Chambers County
Auditor
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P.O. Box 910
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IA.2021.04

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CHAMBERS COUNTY AUDITOR

Tony Sims

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Executive Summary

The Auditor's Office has completed an internal audit of the Sheriff's Office Inmate Trust Fund Account in accordance with the Local Government Code, Section 351.0415. The audit was completed for the fiscal year 2020; January 1, 2020 through December 31, 2020.

The objective of the audit was:

- To verify compliance with laws, regulations, contracts, policies and procedures, ensure the safekeeping of assets and the reliability of accurate record keeping.

The scope of the internal audit consisted of examining the financial documents and administrative procedures related to the Sheriff's Office Inmate Trust Fund Account. This included, but was not limited to, the books, reports and records of the Inmate Trust Fund Account.

Findings

1. Compliance

- The Sheriff's Office has a policy in place for how cash is to be handled and accounted for when a person is processed into the county jail. This policy is a detailed process of the procedures that are to be followed from booking to release.
- The Sheriff's Office is in compliance with Commission Rule 291.3, Inmate Commissary Plan. This is required under the Texas Commission on Jail Standards.
- Based on the Local Government Code, Section 351.0415 (b) (3), "The sheriff or the sheriff's designee: shall accept new bids to renew contract of commissary suppliers every five years." The Sheriff's current commissary vendor is with Lone Star Commissary. The contract between the Sheriff's Office and Lone Star states:

"XI. Commencement and Termination

This Agreement shall become effective as of/or around August 1, 2013, and shall remain in effect until July 31, 2016, with a one-year option for the next two years upon

agreement of both parties. It shall thereafter renew itself automatically for similar periods until either party gives notice of termination in writing by registered mail at least sixty (60) days prior to the expiration of this Agreement, or any renewal term hereof.”

The life of this contract has surpassed the five year timeframe as stated in the LGC.

2. Reliability of Accurate Information

The inmate trust fund accounts are established with funds that belong to the incarcerated inmates. These are funds that were in the possession of the inmate upon incarceration or with funds that are deposited into the inmate’s accounts during incarceration.

When an arrestee has money in their possession during the time of booking, the booking officer will count the monies and tally the funds properly on the cash intake receipt. The inmate and booking officer will both sign this receipt in acknowledgement the amount is correct. A copy of this receipt, along with the monies, are placed in a heat sealed envelope and dropped in a drop box. The Assistant Jail Administrator collects the money each weekday from the drop box and prepares the collections for deposit to the bank.

Inmates may also receive funds added to their account by a kiosk located in the jail lobby, electronic web deposits through the Lone Star Commissary’s website, phone sales, or by funds mailed in. Cash is not accepted via mail.

The kiosk is operated by Network Communications (NCIC) and accepts cash and credit cards. Credit card payments made at the kiosk are electronically deposited to the inmates’ trust account. Payments made by cash are collected by the Warrant Officer or the Assistant Jail Administrator daily and a receipt is given each time the kiosk is emptied. This receipt shows the user (employee emptying the machine), the previous empty date, the current date, a currency breakdown, the total amount of bills, the deposit and net deposit amount. The kiosk receipt is reconciled to the drawer consolidation report for the “Vend Engine Cash” drawer within the Lone Star Commissary financial software, Tiger Tracks.

- During the time of the audit, the Warrant Officer and the Assistant Jail Administrator who have the responsibility to empty the kiosk, were using a previous employee’s log in credentials to access the cash within the machine. This employee has not been employed with the Sheriff’s Office for nearly a year. This should be avoided and corrected immediately.

Inmates who are eligible to make commissary purchases can do so through the use of the telephone system. Sheriff’s Office staff is not held responsible for errors made by inmates during the process of their order. These purchases are deducted from the inmates account balance. This service is available on a weekly basis.

Lone Star Commissary invoices the Sheriff’s Office weekly for the prior week’s commissary order.

- A random sample of invoices were examined to determine the accuracy of the invoice. No errors were found.

NCIC is the provider of the kiosk, which is the only option for physical cash to be deposited into an inmates account. When a deposit is made with cash through the kiosk, NCIC charges a flat \$2.00 facility collection fee per transaction. NCIC then bills the Sheriff's Office monthly for the total of the collected fees.

- All 2020 invoices were examined to determine if the correct fee was charged for each month. No errors were found in the billed amount. When reviewing the actual payments for the invoices, a check was issued for the June invoice but never cleared the bank. August's invoice was paid twice and October's invoice was never paid. This created an overpayment to the vendor of \$22. Invoices should be reviewed monthly and the Jail Administrator should ensure accuracy, timeliness of payment, and that all invoices are in fact paid.

3. Separation of Duties & Safekeeping of Assets

No single person should be able to authorize transactions, have custody of the assets and reconcile the statements. The Sheriff's Office has proper separation of duties.

- Bank reconciliations are performed monthly by the Chief Deputy Clerk. This process, if performed correctly, is the best method to identify any discrepancies and helps to assist in preventing the misuse of funds. The Chief Deputy Clerk does not keep record of outstanding, missing or voided checks.
 - During the audit, multiple checks were missing from the check register. They were not voided within the system. The Sheriff's Office was unaware of the issue and had no information on the missing checks.
 - The inmate trust fund account has an outstanding check balance of over \$25,000, with stale checks dating back to 2008. Procedures should be created and implemented to meet the criteria for all unclaimed property per the Property Code 72.101, Personal Property Presumed Abandoned.

Ensuring proper controls and physical security of the checks and funds associated to the inmate trust fund account minimizes potential exposure to loss.

- The Chief Deputy Clerk has possession of the check stock for the inmate trust fund account. When checks are needed, they are distributed to the Assistant Jail Administrator. The checks are then pre-signed by authorized signers on the account and placed in the control room for use. The signed checks are not kept in a secure, locked area. This creates an opportunity for theft, misuse of funds and should be corrected. Assets that are not being used should be kept in a locked drawer or safe until needed.

- Monies seized from individuals during booking are collected daily from the drop box by the Assistant Jail Administrator and are placed in a money bag in the employee's office. However, the money bag is not kept in a secure, locked drawer or safe. This office can be accessed by other jail personnel and jail trustees (incarcerated inmates). This again creates opportunity for theft, misuse of funds and should be corrected. When funds are collected, accounted for and ready for deposit, they should be kept in the money bag and placed in a secure, locked area.

Recommendations:

1. The Chambers County Sheriff's Office Jail Policy and Procedures should be updated to include the option for inmates to receive their remaining funds on a debit card versus the stated option that a check be issued, only if the inmate is released back to society. The option for a debit card is not allowed if the inmate is released to another entity.
2. The Sheriff must solicit for new proposals for the commissary services every five years, to be in compliance with the LGC.
3. The Warrant Officer and Jail Administrator, who are responsible for clearing the cash from the kiosk, should both have their own username and password for the emptying of the kiosk. This should be avoided and corrected immediately to ensure proper accountability.
4. To mitigate the risk of overpayment of vendor invoices, the Sheriff's Office should create a method to track invoices so no duplicate payments occur.
5. All checks and collected funds should always be kept in a secure, locked area. Checks should not be pre-signed for future use. Assets should never be readily available for improper possession.
6. The Sheriff's Office should follow the criteria set out in the Property Code, Section 72.101. A policy should be created for a more centralized and reporting process for all unclaimed funds. Individual amounts of \$100 or less should be remitted to the County Treasurer. Only amounts greater than \$100 should be remitted to the Comptroller's Office. The Treasurer, or designated officer, must publish the missing owner's name and process all claims submitted by prospective owners of amounts \$100 or less. It is recommended that the designated officer be each elected official or department head with signature authority/responsibility for a bank account.

Conclusion:

The Sheriff's Office is in compliance with laws, regulations and internal policies and procedures. There are proper separation of duties, but the Office lacks appropriate procedures for the safeguarding of assets. Corrective action should be taken immediately for the security of all assets (checks and physical cash) and locked boxes/drawers should be utilized at all times. Checks should never be pre-signed and left out for the possibility of theft. The Sheriff's Office

should implement a process to track vendor invoices for accuracy. This will prevent the opportunity for double payments, unpaid invoices, or inaccurate billing. The Sheriff's Office, along with the Treasurer, should create and implement a process for all unclaimed checks.

The Auditor's Office has completed this audit with objectivity and due professional care. As this internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected. The official therefore retains the responsibility for the accuracy and completeness of the financial information.



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Brian C. Hawthorne, Sheriff

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November 3, 2021

Honorable Judge Sylvia and Commissioners Court,

Attached is information provided in response to the 2020 Audit Report of the Chambers County Sheriff's Office Inmate Trust Fund. Beginning in January of 2022 I will be assigning internal audits.

Best regards,

A handwritten signature in black ink that reads "Brian C. Hawthorne". The signature is written in a cursive style with a long, sweeping tail.

Brian Hawthorne



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To: Lyndsey Davis
CFE
Chambers County Auditor's Office

From: Todd E. Harris
Jail Admin./ Captain
Chambers County Sheriff's Office

Date: October 25, 2021

RE: Inmate Trust Fund Audit 2020

Findings Resulting in a Recommendation of Corrective Action

1. CCSO Jail Policy revision regarding the optional use of the Numi Financial Debit Card, in place of a check, when inmates are released back into the public.

CCSO Response:

- Agree

Corrective Action:

- CCSO Jail Policy 002.005 (Cash Accounting Policies) has been revised to reflect the debit card option to provide the Inmate with his / her remaining funds upon release to the public. Checks will be utilized when releasing the inmate to another Law Enforcement Agency or the Texas Department of Criminal Justice.
2. Request For Proposal solicitation for Commissary Services Providers every five years in order to comply with the Local Government Code.

CCSO Response:

- Agree

Corrective Action:



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- CCSO will publicly solicit for proposals for Commissary Services every five years in compliance with the Local Government Code.

3. Officer who are authorized to empty the cash kiosk should have individual user ID's and passcodes.

CCSO Response:

- Agree

Corrective Action:

- Staff authorized to empty the kiosk have obtained individual User ID's and Passcodes.

4. Mitigation of duplicate payments to vendors.

CCSO Response:

- Agree

Corrective Action:

- The Assistant Jail Administrator will perform a reconciliation monthly to ensure that vendor invoices have been cleared and paid. The referenced finding was the result of human error which was detected and corrected immediately. Records were retained documenting the error and the corrective action that was taken.

5. Checks and collected funds should be kept in a locked / secured area. Checks should not be pre-signed for future use. Assets should never be readily available for improper possession.

CCSO Response:

- **Disagree**

Justification:

- Checks and funds are kept in a locked and secured area. Said items are kept in the control room which is under video surveillance and access is controlled by correctional grade locked doors operated by the Control



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Room Officer. Funds for deposit are kept within a locked drop box within the Control Room and are removed only for deposit. The standing practice is that funds are not to be removed from the control Room unless being transported to the bank for deposit. It is understood that the Auditor observed funds being handled outside the aforementioned practice. The Assistant Jail Administrator chose to deviate from the standing order and prepare the deposit within her Office when filling in for the Warrant Officer who was on leave. This deviation was also observed by the Jail Administrator who immediately corrected the matter and counseled the responsible individual for deviating from the standing practice. Furthermore, Jail Policy 02.005 has been revised making the standing practice a matter of Jail Policy. The CCSO Jail and all other Law Enforcement Agencies operate on a 24 hour 365 day basis. Inmates are often released / transported to other Law Enforcement agencies at odd hours regardless of standard business days / hours. In order to comply with the Auditors recommendation virtually every staff member employed within the Jail Division would have to become an authorized signatory with respect to the Inmate Trust fund. To do so would not enhance the security of the financial instruments referenced. Operational necessity, in this instance, does not coincide with the "best practices" used in the non-correctional environment. There is no reasonable way to mitigate our operational need, therefore, the current practice must stand.

6. The Sheriff's Office should enact policy in accordance with Property Code 72.101 in order to remove unclaimed funds from the inmate trust fund account.

CCSO Response:

- Agree

Corrective Action:

- CCSO developed a solution to deal with the referenced problem. Uncashed release checks over decades of operation has resulted in a



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surplus of funds present within the Inmate Trust Fund Account. Most individuals involved in criminal behavior do not maintain a checking account or will not take the time to cash /deposit a release check for a small amount. Over the years this resulted in the above referenced surplus. CCSO introduced the debit card system for inmates being released. Once the funds are loaded on to the debit card, they are removed from the trust fund account completely and therefore no longer an accounting issue for CCSO or Chambers County. Release checks are used when transferring to other Agencies or the Texas Department of Criminal Justice. These entities deposit the funds therefore the checks do not remain uncashed. CCSO will develop a policy and process relative to the Property Code in order to remove the surplus funds that existed prior to the implementation of the debit card system.