BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL

SHERIFF'S DEPARTMENT
COMMISSARY ADMINISTRATION AUDIT

September 2003

Alex J. McLaughlin, Comptroller

September 2, 2003

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 however, does not have adequate internal controls in place to ensure the continuing smooth operation of this function.

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

<div align="center">**COMMISSARY ADMINISTRATION AUDIT**</div>

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 2003, the balance in the commissary fund was $ 238,317.38. The commissary funds are not part of the budget.

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

Prior Audit

None.

AUDIT FINDINGS AND RECOMMENDATIONS, AND RESPONSES

FINDING 1: PROFITS FROM COMMISSARY SALES UTILIZED IN PROPER MANNER

All profits from the commissary fund were deposited in a separate bank account.

"Profits resulting from commissary sales shall be deposited in a separate bank account and shall be utilized only for purposes of prisoner welfare and rehabilitation". (Correction Law, §45 [6], [15]).

Money was used for the benefit of inmates.

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 2002 through March 2003, the bank reconciliation for the commissary fund (JPMorgan Chase account #465-000-9626) was properly prepared for each month.

Bank reconciliations should be prepared monthly in accordance with generally accepted auditing standards.

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 the preparation of 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, 2003.

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, 2003.

RECOMMENDATION 3:

We recommend 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 2003 with the commissions received in March 2003 (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 any written documentation that sets forth the policies and accounting procedures to be followed regarding the commissary account.

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:

The Office of the Sheriff will manage the inmate commissary account in accordance with sound accounting practices and within the guidelines established by the Broome County Comptroller.

**FINDING 6: CASH HANDLING IS NOT ADEQUATELY SEPARATED FROM
RECORD KEEPING FUNCTIONS**

During the course of our examination, we discovered that one employee at the Sheriff's Department performs the majority of the functions related to the cash handling and record keeping of the commissary account. This employee receives incoming checks, prepares bank deposit slips, makes check deposits, books the receipt, and reconciles the monthly bank statements for the commissary account.

We also learned that this employee fills in checks for payment which are then rubber stamped with an authorizing signature by another employee in the department.

Failure to separate record keeping from the cash handling functions allows a greater opportunity for money to be misappropriated or stolen without being detected.

Inadequate segregation of duties is the direct result of not having formal written policies and procedures on the appropriate manner in which to handle the accounting function of the commissary fund.

RECOMMENDATION 6:

We recommend that the Sheriff's Department reorganize the responsibilities of the personnel accounting for the commissary fund to ensure that the functions related to cash handling are performed by an employee or employees other than those performing the record keeping functions. In this case, one person should handle cash transactions such as making deposits and making disbursements; a second person should maintain the accounting records; and finally, another person should be placed in charge of reconciling the account to the bank statement. The person opening the mail should make a log of all checks received. The checks should be given to the person who makes the deposit. The log should be given to the person maintaining the records. Also, the use of the rubber stamp on checks should be eliminated.

MANAGEMENT RESPONSE:

Duties will be segregated in accordance with these recommendations.

FINDING 7: PROPER DOCUMENTATION IS NOT ALWAYS MAINTAINED TO SUPPORT DISBURSEMENTS

During the course of our examination, we discovered three instances during our test period where invoices or receipts were missing.

We also found an instance where an amount that was supposedly underpaid to a vendor during February 2003, was paid during March without substantiation.

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 7:

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:

Agreed.

FINDING 8: AUTHORIZATION PROCESS DOES NOT WORK AS DESIGNED

During the course of our examination, we discovered several instances where proper authorizations were not in place to support disbursements.

In accordance with Sheriff's Department policy, all disbursements are to be authorized by both the Sheriff and the Jail Administrator. Such authorization is to be evidenced through completion of an Authorization Form.

Failure to adhere to this policy could result in an inappropriate disbursement of funds.

RECOMMENDATION 8:

We recommend that the Sheriff's Department take steps to ensure that all disbursements are properly authorized.

MANAGEMENT RESPONSE:

Agreed.