

Nassau County
Office of the Comptroller



Audit of the
Nassau County Correctional Center
Commissary Operations

GEORGE MARAGOS

Comptroller

December 20, 2013

NASSAU COUNTY
OFFICE OF THE COMPTROLLER

George Maragos
Comptroller

Steven L. Labriola
Chief Deputy Comptroller

Paul L. Meli
*Deputy Comptroller for
Audits & Special Projects*

Christopher Leimone
Counsel to the Comptroller

Jostyn Hernandez
Director of Communications

Sergio Blanco
Counsel to the Comptroller

Audit Staff

JoAnn Greene
Director of Field Audit

Vincent Abbatiello
Assistant Director of Field Audit

Janis McDermott
Field Audit Supervisor

William Hills
Field Auditor

Susan Cohen
Field Auditor

Bebe Belkin
Field Auditor

Executive Summary

Introduction

The Nassau County Correctional Center (“Correctional Center”) operates a Commissary for the purpose of offering items for sale to inmates. These include snack foods, hygiene products, writing materials, small personal radios and international phone calling cards. In accordance with the Standards of the New York State Commission of Correction (“NYSCOC”), prices are established by the Nassau County Sheriff and should be set to allow the Commissary to be self-supporting, but provide only a modest return above costs. The NYSCOC requires that Commissary profits only be used for purposes of inmate welfare and rehabilitation. The Correctional Center maintains a checking account to fund Commissary operations, from which it purchases goods for sale at the Commissary, as well as items for inmate welfare.

Purpose

At the request of the Sheriff’s Department, this audit was conducted to comply with State law requiring periodic audits of the Commissary accounts.¹ It included an operational and financial review to determine that minimum standards set forth by the NYSCOC² were adhered to.

Summary of Significant Findings

- Contrary to County Procurement Policy, the Correctional Center purchases goods for sale, bypassing the County Purchasing Department without competitive bidding. Of the most popular snack items sold, more than half were not included in the 2010 requests for quotations (“RFQs”). Additionally, more than one third of the items included in the RFQ were being purchased at different prices than those agreed upon in the RFQ quote responses, resulting in increased annual costs.
- The Correctional Center spent \$60,390 more on the welfare and rehabilitation of inmates than required in the two year period of 2010 through 2011. For those years the Correctional Center transferred \$500,000 and \$400,000 respectively from the Commissary account to the General Fund as an allocation to cover the expense of Commissary employee salaries. The actual amounts were \$509,049 and \$513,367. The transfers were based on a verbal understanding between the Correctional Center and a former employee of the Nassau County Office of Management and Budget (“OMB”). No written justification substantiating the amounts transferred could be located.
- Correctional Center expenditures for garment bags, medical bunk beds, and suicide blankets may have been incorrectly paid for out of the Commissary Account. These items

¹ 9 NYCCR § 7016.1 (d).

² 9 NYCCR § 7016.1.

Executive Summary

appear to be needed in the day-to-day operations of the jail and do not appear to meet the NYSCOC guidelines for Commissary account purchases for inmate rehabilitation.

- The Correctional Center's accounting system is antiquated and lacks key Commissary reporting capabilities. Their system could not produce a list detailing disbursements by category that could be used to determine if individual purchases were used for inmate welfare and rehabilitation. The NYSCOC had requested that this information accompany our audit report.
- The Commissary's disbursement process lacked standard control procedures, such as evidence of the receipt of goods and services (34 out of 62 tested did not have this. In most cases there was no indication of a comparison of amounts received to the amounts ordered, and most of the 62 voucher packets tested did not contain an approval sign off. The lack of controls increases the risk of overpayments to vendors.
- The segregation of duties for Commissary revenue collection, purchases and disbursements was inadequate, bank account weaknesses were noted and there was insufficient control over the distribution of free goods as well as inadequate overtime records.

Summary of Significant Recommendations

The Correctional Center should:

- purchase Commissary supplies through the County Office of Purchasing to perform proper competitive bidding;
- identify annual salary expenditures for Commissary staff and, based on that review, formalize a written agreement with OMB regarding reimbursement thereof;
- if the NYSCOC concurs, reimburse the Commissary Account for day-to-day operational items. They should also establish written guidelines only allowing Commissary Account purchases for the welfare and rehabilitation of inmates;³
- work collaboratively with County Information Technology to replace the Inmate Tracking System with a new accounting system that complies with State regulations;
- ensure that invoices are not paid until complete documentation is received, the accuracy of the bill has been verified, and the payment has been approved by a supervisor;
- ensure that employee duties are segregated so no individual is responsible for ordering, receiving, verifying amounts and paying bills for the same goods or services;

³ 9 NYCRR §7016.1 (c) "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."

Executive Summary

- develop written procedures covering inmate revenue collection, reconciliation processes and Commissary disbursements;
- remove obsolete signatories from the bank authorizations;
- develop a policy with regard to the distribution of free goods; and
- maintain proper overtime records for Commissary staff.

The matters in this report have been discussed with officials of the Correctional Center. On May 7, 2013 we submitted a draft report to the Sheriff with a request for comments. The Sheriff's Department provided their response on June 6, 2013. Those responses and our follow-up comments are included as Appendix B to this report.

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Introduction

Background

The Correctional Center maintains two separate Commissaries, one in each inmate building.⁴ The larger Commissary serves the bulk of the inmates, accounting for approximately two thirds of its sales. Inmate workers assist the staff at the larger Commissary under the supervision of a Correction Sergeant.⁵ The smaller Commissary accounts for approximately one third of Commissary sales. The Correctional Center maintains a checking account to fund Commissary operations through which it purchases items for inmate welfare and rehabilitation⁶. The account has monthly deposits and withdrawals exceeding \$100,000, or more than \$1.2 million on an annualized basis.

Audit Scope, Objectives, and Methodology

The audit scope covered Commissary operations for 2010 and 2011. The audit was conducted to ensure that the Commissary operates in accordance with the guidelines set forth in Section 7016 of the regulations promulgated by the New York State Commission of Correction Objectives included verifying that the Commissary had a modest return, funds of the Commissary were maintained in a separate bank account, proper support was maintained on all transactions, profits of the Commissary were utilized only for the purpose of inmate welfare and to ensure items purchased offered the best quality at the lowest price.

To achieve our audit objectives, we:

- interviewed key personnel, and performed a walk-through of the smaller Commissary to observe Commissary operations;
- observed the cash collection process performed by the Visiting Unit cashiers and observed the pickup of the prior day's receipts by Inmate Accounts staff;
- discussed the process of Commissary Account and Inmate Account reconciliations, reviewed supporting documentation, and examined records of the Commissary related bank accounts;
- reviewed the process for the purchase of goods at the Commissary;

⁴ The Commissary consists of one unit, which operates from two separate points of distribution, with specific individual employees assigned to each distribution point.

⁵ The Commissary unit is currently comprised of three Correction Officers and three civilian staff members. During our audit period, the smaller distribution point (Core Commissary) had three employees, one Correction Officer and two civilians, while the larger distribution point (832 Commissary Unit) had three to four employees, initially one Correction Officer, subsequently two Correction Officers, and two civilians,

⁶ The Commissary Account is a Non-NIFS bank account, meaning it is not recorded in the County's accounting system. It is managed by the Correctional Center, rather than the County's Treasurer's Office. The County is required to maintain a separate bank account for monies received as a result of commissary sales, pursuant to NYSCOC minimum standards.

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- examined a selection of Commissary Account disbursements, both for goods for the Commissary and for the welfare and rehabilitation of the inmates;
- examined Commissary related data extracts and reports generated by the Correctional Center's accounting computer system, known as the Inmate Tracking System. We reviewed the user profiles of Commissary staff, supervisors and support staff for the appropriateness of levels of access to the system; and
- reviewed payroll, overtime and time and leave records of Commissary and support staff.

As part of the audit, the status of prior recommendations from our previous Commissary audit, issued in June 2004, were considered.

We believe our audit provides a reasonable basis for the audit findings and recommendations contained herein. We would like to acknowledge the cooperation of the Correctional Center's management and staff during the course of this audit.

Findings and Recommendations

Finding 1:

The Commissary Circumvented County Procurement Policy Resulting in Increased Costs

Contrary to the County Procurement Policy the Commissary goods were being purchased by Correction officers and accountants utilizing their own methodology instead of the County Purchasing Department buyers. The Acting Director of Purchasing advised that there is no existing provision that allows the Correctional Center to bypass the Office of Purchasing to purchase goods for the Commissary.

Correctional Center staff issued their own Request for Quotations (“RFQ”) in January 2010 by contacting vendors with the request for quotations for Commissary items. Our review disclosed the following exceptions:

- **Not Properly Published** - The Request for Price Quotations was not published as required by law and County Charter⁷. New York State law requires that “all purchase contracts involving an expenditure of more than twenty thousand dollars, shall be awarded by the appropriate officer, board or agency of a political subdivision or of any district therein...to the lowest responsible bidder furnishing the required security after advertisement for sealed bids.”⁸
- **Lowest Bidder was not Selected** - A 2010 Quotes Results sheet identified all quotes received and highlighted the winning vendor for each item. However, there were instances where the winning quotation for individual items or groups of items was not the lowest bidder. For example, the winning quotation for granola bars was \$0.34 each, but a competitor had offered \$0.17 each. That is because the RFQ was split into nine individual sections, each listing a variety of Commissary items. One winning vendor was selected for each of the nine sections. In several instances, while the total price for each section offered by the winning vendor may have been the lowest, individual items in the section were sometimes priced lower by a vendor who failed to win the section. The current practice of the Office of Purchasing is not to stratify goods into sections. By failing to use the services of expert buyers and the knowledge and expertise of Office of Purchasing, the Correctional Center failed to obtain the best prices available.
- **No Written Contracts with Vendors** - When the audit team requested copies of the Correctional Center’s contracts and agreements with the vendors, we were advised that the Correctional Center did not have current contracts with the vendors. The requests for quotations stated that the period covered would be one year through February 28, 2011. However, expired quotations were extended by verbal

⁷ Nassau County Charter §702 (b).

⁸ New York State General Municipal Law, Article 5a, Section 103.

Findings and Recommendations

commitment. These verbal contract conditions are bad business practice and again are not in compliance with County Procurement Policy as contract terms are located in purchase orders, blanket orders and contracts.

- Purchases not included in their RFQ - A review of inventory activity for a week in October 2012 disclosed that ten of the top nineteen items purchased for sale at the Commissary had not been included in the 2010 RFQ. The annualized cost of these items, generally snack foods such as pastries and pretzels, is estimated at over \$278,500, for items that should have been purchased through sealed bid.
- Prices Different than Quoted in RFQ - We found that 24 of 65 (37%) Commissary items included in the original RFQ were purchased in October 2012, for a per unit price different than originally quoted. We found at least \$13,781 of additional costs per year over the agreed upon prices.

Audit Recommendation:

The Correctional Center should comply with County Procurement Policy routing all purchases through the normal approval process utilizing the County Purchasing Department buyers.

Finding 2:

The Correctional Center Spent \$60,390 More on the Welfare and Rehabilitation of Inmates than Required in the Two Year Period of 2010 through 2011

Transfers in 2010 and 2011 Were Insufficient to Cover Actual Salaries

In 2010 and 2011, actual wages for Commissary employees and their primary support staff were \$509,049 and \$513,367. The Correctional Center made transfers from the Commissary Account to the County's General Fund of \$500,000 and \$400,000 to cover these salaries. As a result, Commissary expenses were understated by a total of \$122,416. The auditors prepared a Commissary Profit & Loss statement (see Appendix A – Exhibit 1), which indicates excess expenditures over revenues for the two years of \$60,390, after the transfer of the \$500,000 and \$400,000 wage allocations to the General Fund. This evidences that the Correctional Center spent more on the welfare and rehabilitation of the inmates than the Commissary profits provided for.

Findings and Recommendations

There is No Official Written Memorandum of Understanding for Salary Allocations

As noted above, on a quarterly basis, the Commissary transfers funds from the Commissary account to the General Fund as an allocation to cover the expense of Commissary employee salaries⁹. These amounts were transferred based on a verbal understanding between the former Office of Management & Budget and Correctional Center management. The Commissary could not produce any written authority and the current OMB analyst was unaware of any such agreement.

Questionable Spending for Prisoner Welfare and Rehabilitation

The New York State Commission of Correction regulations¹⁰ state that profits resulting from commissary sales “shall be utilized only for purposes of inmate welfare and rehabilitation”.

Auditors tested \$92,644 of disbursements to determine that payments were for the purpose of prisoner welfare and rehabilitation. We identified three instances totaling \$12,936 where the auditors believed the purchases represented items that would be used in the normal course of Correctional Center operations and, therefore, should have been funded and provided by the jail. Adequate documentation did not exist to support that these purchases were for prisoner welfare and rehabilitation:

- \$3,875 was spent on 250 garment bags for the Correctional Center’s Garment System¹¹;
- \$4,550 was spent on two separate purchases of ten stackable beds which had been ordered from separate vendors in order to test them for inmate comfort and reliability. Correctional Center senior staff indicated that the beds were for use in the medical unit; and
- \$4,511 was used for the purchase of 24 blankets which assist in suicide prevention for high risk prisoners.

Recommendations:

The Commissary should ensure proper financial monitoring by developing accounting procedures that:

⁹ This is an accepted practice, per an informal counsel opinion issued by the New York State Commission of Correction regarding the use of Commissary funds.

¹⁰ 9 NYCCR § 7016.1

¹¹ The garment bags were purchased to provide secure storage for inmate personal and court clothing, for use with the Correctional Center’s Railex Garment System.

Findings and Recommendations

- require a written Memorandum of Understanding (“MOU”) for the cost of salaries for those who work at the Commissary;
- ensure that all purchases are clearly for prisoner welfare and rehabilitation; and
- if it is found that the above-mentioned purchases do not meet the state requirements, the Commissary should be reimbursed in the amount of \$12,936.

Finding 3:

The Correctional Center’s Accounting System is Antiquated and Lacks Key Commissary Cost Reporting Capabilities

The 1991 Inmate Tracking System (accounting system) used by the Correctional Center is outdated and in need of replacement. The Correctional Center provided a check register for the audit period, which detailed check number, payee and amount. This did not contain the description needed to identify the individual expenditures used for inmate welfare and rehabilitation by category. The State Commission of Correction had requested that this information accompany the audit report.¹² This summary information is detailed in Exhibit 2, in the accompanying Appendix A. Since a breakout of the individual expenses by category was not available, we were unable to validate that the schedules summarizing the expenses by broad category were accurate.

The system requires re-entering data into multiple databases and is unable to generate customized financial reports. Due to time period limitations in printing reports from the system, the Correctional Center was unable to provide monthly Commissary Profit & Loss Statements and additional financial reports for the months of January through April 2010. Therefore, we were unable to perform a month-to-month comparative analysis of Commissary revenues and expenditures.

Recommendation:

The Correctional Center should work collaboratively with the Office of Information Technology to replace the Inmate Tracking System with a new accounting system that complies with the State regulations.

¹² Per the October 20, 2009 letter from the State Commission of Correction to the Nassau County Sheriff regarding a grievance concerning Commissary prices.

Findings and Recommendations

Finding 4:

The Commissary Disbursement Process Lacks Standard Control Procedures, Increasing the Risk of Overpayments to Vendors

Commissary Account funds are disbursed to purchase goods for sale and to purchase items for inmate welfare and rehabilitation. Total Commissary Account disbursements for the years ended December 2010 and 2011, were \$1,439,257 and \$1,341,188 for the corresponding periods.

We reviewed 62 voucher packages paid in 2010 and 2011, for \$148,534 and \$594,110, respectively. This represented 27% of the total disbursements for the period. Several internal control weaknesses were identified that could result in improper or unauthorized disbursements:

- Out of 62 purchases, there were 34 instances (55%) of Purchase Orders that did not have indication of sign off for receipt of actual goods or evidencing actual work performed.
- Most disbursements had no signoff evidencing a comparison of invoice quantities to the amounts ordered and received. Most voucher packages contained no physical evidence of approval.
- In multiple instances, there was no verification to ensure that the invoice amounts were calculated properly.
- Two claims paid to the United States Postal Service totaling \$7,050, had no invoices attached and the supporting documentation did not agree with the amounts paid. There was no supporting documentation to reconcile that the number of the stamps paid for was the number of stamps received. This is significant because the Commissary stocks a large supply of pre-stamped envelopes, making them vulnerable to pilferage.

Recommendation:

The Correctional Center should ensure that invoices are not paid until complete documentation is received, the accuracy of the bill has been verified, and all payments have been approved by a supervisor.

Finding 5:

Segregation of Duties for Cash Receipts, Purchases, and Disbursements is Inadequate

There were control weaknesses and inadequate segregation of duties for disbursements, revenue collection and reconciliation processes. The Correctional Center was unable to provide any written procedures or manuals for these vital tasks. Two individuals, a Correction Officer and an Accountant I, handle the majority of the Commissary's ordering, accounting, data entry and financial transactions, including cash receipts and disbursements.

Findings and Recommendations

The Office of the New York State Comptroller has noted that when “functions are not or cannot be separated, then a detailed supervisory review of related activities should be undertaken by managers or officials as a compensatory control.”¹³ We found no evidence that the Correctional Center has adequately increased oversight as a mitigating control to the lack of segregation of duties.

Recommendations:

The Correctional Center should:

- separate employee duties so that no one individual is responsible for ordering, receiving, verification of receipt and payments for goods and services; and
- promulgate written policies and procedures for the processes noted above.

Finding 6:

Bank Account Control Weaknesses Posed Increased Risks

Our review of the Commissary Bank Account revealed internal control weaknesses regarding disbursement authorizations and bank reconciliations, which included:

- retired and terminated employees were still listed as authorized signors on the account (one individual has been retired since July of 2010);
- only one signature was required on all checks issued from the Commissary account, regardless of dollar amount; and
- stale, outstanding checks are reviewed and resolved only at year-end. Standard business practice is that checks outstanding more than six months be investigated so that stop payments can be instituted and amounts restored to cash balances.

Recommendations:

Remove obsolete signatories from bank authorizations. A dollar threshold (e.g. \$5,000 or greater) should be established for disbursements which would require dual signatures. Investigate checks that have been outstanding for an extended period of time to determine whether they need to be stopped or reissued.

¹³ Office of the New York State Comptroller, *Local Government Management Guide Internal Controls*.

Findings and Recommendations

Finding 7:

There is Insufficient Control over the Distribution of Free Commissary Goods

The Commissary issues free goods to both indigent inmates to cover basic necessities and to inmate workers in return for their assistance at the Commissary. These goods totaled to \$21,598 in 2010 and \$20,307 in 2011. There is insufficient tracking of this inventory and its delivery to inmates. While State guidelines cover the distribution of goods to indigent inmates, no written procedures govern the distribution of free Commissary goods to inmate workers. Since the distribution of free goods is not adequately tracked, accurate records of inventory cannot be assured.

Recommendations:

The distribution of free goods to inmates should only be done in accordance with procedures and guidelines that have been put in place. Exceptions to the policy should only be made with written approval from designated employees.

Finding 8:

Strengthening of Controls over Commissary Time and Leave and Overtime Records is Needed

Time worked by Commissary employees is recorded on manual bi-weekly time sheets. Our review of the time sheets for the years 2010 and 2011 disclosed that Commissary employees were not recording their overtime as required. This was in spite of the fact that County Payroll records indicated that Commissary employees were paid overtime totaling \$1,063 in 2010 and \$6,239 in 2011. In addition, time records were not maintained for inmate workers assisting in the Commissary.

Recommendation:

Maintain time records for volunteer inmates who assist in the Commissary and require Commissary employees to record any overtime worked on their time sheets.

APPENDIX A

Exhibit 1

**Nassau County Correctional Center Commissary
Commissary Profit & Loss
(Compiled by Comptrollers)**

	<u>2010</u>	<u>2011</u>	<u>Total</u>
Total Sales	\$ 1,371,440	\$ 1,306,652	\$ 2,678,092
Beginning Inventory	64,397	60,733	125,130
Purchases	726,422	703,571	1,429,993
Inventory Transfers In	14,986	23,936	38,922
Total Goods for Sale	805,805	788,240	1,594,045
Ending Inventory	(60,733)	(65,001)	(125,734)
Free Goods	(21,598)	(20,307)	(41,905)
Inventory Transfers Out	(16,032)	(23,958)	(39,990)
Total Goods Sold/Issued	707,442	678,974	1,386,416
Profit Before Allocations	663,998	627,678	1,291,676
Commissary Supplies	(15,515)	(13,781)	(29,296)
Personnel Wage Allocations (1)	(500,000)	(400,000)	(900,000)
Profit Available to be Spent on Inmates	148,483	213,897	362,380
Funds Spent on Inmates	197,499	225,271	422,770
Excess Expenditures over Revenue	<u>\$ (49,016)</u>	<u>\$ (11,374)</u>	<u>\$ (60,390)</u>

(1) The actual amounts transferred in 2010 and 2011 were \$500,000 and \$400,000, respectively. The Correctional Center Budget shows \$500,000 per year. Per Commissary Management, the amounts transferred were based on a verbal understanding between the former Office of Management & Budget and Correctional Center management. These transfers did not cover the actual salary amount of those working in the commissary of \$509,049 and \$513,367 in those years respectively.

APPENDIX A

Exhibit 2

**Nassau County Correctional Center Commissary
Schedule of Expenditures
January 1 - December 31, 2011 and 2010**

Source: Inmate Tracking System Cumulative Reports

<u>Expenditure Category</u>	<u>2011</u>	<u>2010</u>
Merchandise Purchased for Sale	\$ 703,571	\$ 726,422
Salary Allocation (1)	400,000	500,000
Law Library	77,188	20,617
Newspapers	36,790	39,745
Prison Industries (2)	23,637	66,452
Rehabilitation Programs	21,816	15,039
Equipment	15,285	7,462
Commissary Supplies	13,781	15,515
Equipment	12,555	4,224
Carfare	10,185	11,035
Equipment Repairs	8,402	5,469
Film Rental	7,800	7,700
Clothing/Indigent	5,273	8,176
Recreation	2,886	4,276
Miscellaneous	1,918	6,885
Legal Service	101	240
Total Expenditures	<u>\$1,341,188</u>	<u>\$1,439,257</u>

Notes:

Information is per Inmate Tracking System cumulative reports, as of December 2010 and 2011, respectively.

(1) The salary allocation represents the wages of the Correctional Center staff that operate the Commissary. The annual amount is based on a verbal understanding between the Office of Management and Budget and Correctional Center Management. See the full audit report for the related audit finding and recommendation.

(2) Prison Industries includes amounts expended for inmate rehabilitation work projects, such as material used for sewing sheets and towels.

APPENDIX B – Sheriff’s Department Response and Auditor’s Follow-up

EDWARD P. MANGANO
COUNTY EXECUTIVE



MICHAEL J. SPOSATO
SHERIFF

SHERIFF'S DEPARTMENT
NASSAU COUNTY CORRECTIONAL CENTER
100 CARMAN AVENUE
EAST MEADOW, NY 11554

June 6, 2013

JoAnn Greene, Director of Field Audit
Office of the Comptroller
240 Old Country Road
Mineola, New York 11501

Subject: Commissary Audit Pursuant to section 7016.1
of the SCOC Minimum Standards

Dear Ms. Greene:

Attached please find the Nassau County Sheriff's Department's response to the Findings and Recommendations in your draft audit report, dated May 7, 2013, concerning the above-referenced subject.

Sincerely,

Keith Sather, Captain

C: Michael J. Sposato, Sheriff
Michael Golio, Captain, NCSD Legal Unit
Hon. George Maragos, Comptroller
Elizabeth J. Loconsolo, Counsel

Page 1: First Paragraph

The Correctional Center does not maintain “two separate Commissaries” as stated, but rather one Unit that operates from two separate points of distribution based upon inmate housing locations.

The Commissary Unit is not under the supervision of a Correction Officer, but rather is under the supervision of a Correction Sergeant who also has supervisory responsibilities in other units/areas. The Unit is comprised of three (3) Correction Officers and three (3) civilian staff members.

Page 1: Continued It should be noted herein or, alternatively, in footnote 3, that the County is required to maintain a separate bank account for monies received as a result of Commissary sales pursuant to the NYSCOC minimum standards.

Auditor’s Follow-up:

Auditors added footnotes to page one to reflect the information noted above from the Correctional Center.

Finding (1):

The Commissary Circumvented County Procurement Policy Resulting in Increased Costs

Sheriff’s Department Response to Finding (1):

The facility did not/does not “bypass” the County Purchasing Department, but rather has made direct purchases of goods for at least the past twenty (20) years. Although it may not have been the case at the time the commissary was first established, the monies spent on commissary purchases are not “public monies” set aside or otherwise obtained from public and/or budget funds, but rather are primarily private monies deposited and maintained in individual inmate accounts, and expended by the individual inmates for commissary purchases. The Department is required to maintain “institutional fund accounts” for every inmate, and in which the inmates’ friends/family can deposit funds for utilization solely by the inmate. As previously stated, any and all profits must be utilized for the benefit of the inmate population. Thus, the funds utilized to stock the commissary are not “public funds”. As such, we do not believe that our procedures violated any laws.

Additionally, the operation of the Commissary Unit at the facility serves an important and vital function at the Correctional Center and, thus, must be maintained, stocked and operational on a continuous basis. The Commissary Unit stocks and sells dozens of items. Items are frequently added and deleted from the inventory due to issues related to packaging, sizing, production, and availability. It is critical for the facility to maintain some amount of flexibility with the inventory items in order to address these issues and concerns on a real time basis to avoid service interruptions and other similar matters. Delays in ordering and/or amending the inventory of available items would be detrimental to the Correctional Center.

Sheriff’s Department Response to Recommendation (1):

Notwithstanding the Department’s response to Finding 1, the Department does not oppose this recommendation and will work with the County Office of Purchasing to develop a process to do so, but one that will address the Department’s issues and concerns without the imposition of unnecessary delays and service interruptions.

Auditor’s Follow-up:

We stand by our finding that the Correctional Center bypassed the County Office of Purchasing by buying goods to be sold in the Commissary without first engaging in the competitive bidding process. The County’s Acting Director of Purchasing advised that there is no existing County provision that allows the Correctional Center to bypass the Office of Purchasing to purchase goods for the Commissary. We believe that utilizing the services of the experienced buyers from the Office of Purchasing would result in increased efficiency, ensure compliance with all appropriate State and County laws and regulations, and potentially result in lower costs for Commissary goods.

We commend the Sheriff’s Department for beginning its transition with the Office of Purchasing in implementing our recommendation that all Commissary supplies be purchased through the Office of Purchasing. We believe that the Office of Purchasing will work collaboratively with the Correctional Center to ensure that the Commissary is adequately stocked, as it works with other County Departments with special needs or requirements.

Finding 2:

The Correctional Center Spent \$60,390 More on the Welfare and Rehabilitation of Inmates than Required in the Two Year Period of 2010 through 2011

Sheriff’s Department Response:

The Department disputes the Comptroller’s determination that the three specific items purchased with commissary profits are “items that are typically used in the normal course of Correctional Center operations...”, and question the basis for such an assertion. None of those items are mandated pursuant to the minimum standards, the Correction Law or any other applicable statute or regulation. In fact, the stackable beds are not “bunk beds” and they do not replace the cell or dormitory bed to which any inmate is assigned. Moreover, such beds were never purchased or utilized prior to 2011, at which time they were purchased as an additional – but not mandated – tool to address certain medical issues. Thus, they were purchased with commissary profits, consistent with the minimum standards, as items “...consistent with the health and welfare of the prisoners....”

With respect to the “suicide prevention blankets”, those items are not mandated items but certainly fall within the requirement to use the commissary profits on items that are

APPENDIX B – Sheriff’s Department Response and Auditor’s Follow-up

“...consistent with the health and welfare of the prisoners...” Moreover, the Sheriff’s Department only started procuring and utilizing those blankets in 2003.

Finally, while the Department is mandated to secure each inmate’s property upon admission to the facility, the utilization of individual property bags is not mandated. We refer you to section 7002.4 of the NYSCOC minimum standards. These items, too, clearly fall within the requirement to use the commissary profits on items that are “...consistent with the health and welfare of the prisoners...”

The Department disputes the Comptroller’s determination that “funds were overspent during the audit period”. It appears that that determination is based on an inaccurate assumption that all operational costs (staff salaries) are funded by the commissary profits. That is incorrect. While some of the profits are applied to defray the operational costs, some of those costs remain in the Department’s budget and are reflected in the Department’s salary/wages (AA) line.

According to our information, the total salary expense for the six individuals assigned to the Commissary Unit was \$429,992.00 in 2010; the total in 2011 was \$456,275.00. Thus, we dispute and question the Comptroller’s salary calculations herein.

Sheriff’s Department Response to Recommendation (2):

While the Department appreciates the Comptroller’s recommendation, as stated above, the wages relating to the commissary operations are not all funded through the commissary profits, and cannot be funded through the commissary profits due to the size and physical plant of NCCC. As previously stated, the operation of the Commissary Unit at the facility serves an important and vital function at the Correctional Center. While commissary profits at smaller facilities may well support the commissary operation in its entirety, and generate additional funds with which to purchase non-mandated items for inmate welfare, the Department would have to charge exorbitant prices at the commissary in order to support its operation 100%. Nonetheless, the Department will review commissary operations to determine if there is a way to defray the actual costs in salary.

Auditor’s Follow-up:

Finding 2 was revised to address the Correctional Center’s concern regarding operational costs and salaries. We concur with the Department’s decision to review Commissary operations to determine if there is a way to defray the actual costs in salary and reiterate our recommendation that the Department formalize a Memo of Understanding with the OMB requiring quarterly reimbursement of wages relating to Commissary operations.

We consider stackable beds, suicide prevention blankets and individual property bags to be items utilized in the normal operation of the Correctional Center, regardless of whether their purchase is mandated under Correction Law. Therefore, we reiterate our observation that purchasing these items through the Commissary Account understates Correctional Center expenditures.

The Sheriff’s Department noted that our computation of actual wages of \$509,049 and \$513,367 for 2010 and 2011 respectively differed from their determination of the total salary expenses for

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the six individuals assigned to the Commissary. Our calculations were based on the staff who actually worked at the Commissary in 2010 and 2011, per Commissary time sheets and NUHRS, the County’s payroll system. This included allocated portions of the salaries of Commissary staff that retired or took other positions during the period. In addition, our computation included 80% of the salaries of a Correction Officer and an Accountant, who we were advised spend 80% of their time handling the financial responsibilities of the Commissary. The 80% allocation was derived from discussion with the Correctional Center’s former Accountant III, who had supervisory oversight over their work.

Finding 3:

The Correctional Center’s Accounting System is Antiquated and Lacks Key Commissary Cost Reporting Capabilities

Sheriff’s Department Response to Finding (3):

The Department does not dispute that the system is antiquated, but asserts that the documentation reflecting the various expenditures are available in various other forms. The Department offered the auditors an opportunity to review said documents, and the offer was declined.

Sheriff’s Department Response to Recommendation (3):

While the Department’s current system is not violative of any State regulations, the Department agrees it is an antiquated system requiring updating. To that end, the Department agrees with this recommendation and will work collaboratively with the Office of Information Technology to replace the Inmate Tracking System with a new accounting system that provides additional and more detailed financial information.

Auditor’s Follow-up:

While the Department offered the auditors an opportunity to copy and review the purchase orders and supporting bills and invoices for the audit period, the large volume of the manual documentation prohibited the performance of such an analysis. It is preferable to maintain records in electronic format for internal management use and analysis as well as external review and audit. We concur with the Department’s plan to work with the Office of Information Technology to replace the Inmate Tracking System with a new accounting system.

Finding (4):

The Commissary Disbursement Process Lacks Standard Control Procedures, Increasing the Risk of Overpayments to Vendors

Sheriff’s Department Response to Finding (4):

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While the Department agrees that the “sign off” process reviewed for the audit years reflected certain weaknesses, the Department notes that the audit did not find any instances of improper or unauthorized disbursements. The Department is unable to comment on the first three bullet points herein, inasmuch as it is unclear how the vouchers were selected for review or what specific documents were looked at to make the assertions in those bullets. In addition, the Department asserts that the percentages in the finding – and the audit of these items in particular – are likely skewed by failing to place the numbers in context; that is, there is no indication in this finding as to the actual number of voucher packages generated in each of the audit years.

In any event, the Department modified the “sign off” process to address any weakness prior to the conclusion of the audit, and prior to receipt of the draft audit report.

With respect to bullet four herein, the Department disputes and questions the basis of this finding. Every purchase from the U.S. Postal Service is reflected in a postal order form, which forms are maintained in the Inmate Exchange System (IES). Upon receipt of the purchase, it is inputted into the IES, which reflects the actual inventory of such items. Purchases of these items are debited from the inventory in the IES. We dispute the findings herein, and the Comptroller’s assertion that the system is “vulnerable to pilferage”.

Sheriff’s Department Response to Recommendation (4):

While the Department has no objection to this recommendation, the Department has no reason to believe – nor does the Comptroller make any finding – that any invoices were improperly paid and bills were not reviewed for accuracy.

Auditor’s Follow-up:

For each voucher package selected for testing, the auditors reviewed the Purchase Order Invoice generated by the Correctional Center’s Accounting System, supporting bills, invoices, receipts and receiving documents, and images of cancelled checks. At the conclusion of the review, we met with the Correctional Center employee with primary responsibility for cash disbursements. As a result of our discussion, the Department acknowledged the weaknesses and modified it’s “sign off” process, as noted above in the Sheriff Department’s response.

With respect to the payments to the United States Postal Service, upon discussion of this finding, we were not advised that postal order forms were maintained in the Inmate Exchange System (Accounting System), or provided with additional documentation to support the purchases. We reiterate that stamps and pre-stamped envelopes are especially vulnerable to pilferage; therefore full supporting documentation of their purchase should be maintained.

In reply to the Department’s response to our recommendation for Finding (4), we note the importance of evidencing an independent review of the bills, invoices and receiving reports for accuracy and completeness, i.e., through employee and supervisor signatures and dates on the voucher packages.

Finding (5):

Segregation of Duties for Cash Receipts, Purchases, and Disbursements is Inadequate

Sheriff’s Department Response to Finding (5):

The Department disputes this finding inasmuch as, prior to his retirement on November 30, 2012, an Accountant III provided the recommended supervisory review of the activities of subordinates in the Commissary Unit.

Sheriff’s Department Response to Recommendation (5):

The Department does maintain the appropriate level of supervisory oversight since the segregation of duties is not a workable solution given the limited number of staff assigned to perform the referenced duties.

Auditor’s Follow-up:

We acknowledge that the supervisory review of the former Accountant III was a mitigating factor to the lack of segregation of duties for cash receipts, purchases and disbursements. However, as noted in Finding (4), the review of work by the Accountant III was not always evidenced in the Correctional Center’s disbursements documentation. The lack of written procedures or manuals providing staff with guidance for these tasks is of increased concern due to the Accountant III’s departure over six months ago; therefore, we reiterate our recommendation that a comprehensive manual be developed.

Finding (6):

Bank Account Control Weaknesses Posed Increased Risks

Sheriff’s Department Response to Finding (6):

The Department notes that this particular finding does not address any of the requirements specified in section 7016.1 of the minimum standards and, thus, believes it should be stricken from this report.

In any event, the Department disputes the Comptroller’s determination that checks requiring a single signature constitute a “weakness”, particularly when the authorized signatories are high-ranking members of the Department.

Sheriff’s Department Response to Recommendation (6):

The Department will review its procedures relating to outstanding checks. If the Comptroller’s finding on this point is verified, the Department will modify its existing procedures to address outstanding checks in a more timely fashion.

Auditor’s Follow-up:

We believe that our findings related to the Commissary bank account were relevant to determining that “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”, as provided by section 7016.1 of the NYSCOC minimum standards. Therefore, we believe that this finding should remain in the report.

Requiring that transactions in excess of a specific amount be authorized by two signatures is a common internal control technique. The Office of the New York State Comptroller has noted that this requirement increases assurance that transactions have been adequately reviewed and approved.¹⁴ Thus, we reiterate our recommendation that the Department establish a dollar threshold for disbursements which would require two signatures.

We agree with the Department’s intent to modify its existing procedures to ensure that outstanding checks are addressed in a timely fashion.

Finding (7):

There is Insufficient Control over the Distribution of Free Commissary Goods

Sheriff’s Department Response to Finding (7):

The Department notes that this particular finding does not address any of the requirements specified in section 7016.1 of the minimum standards and, thus, believe it should be stricken from this report.

In any event, the inmate workers are not paid any money for their services, but rather are compensated for their work activities with a weekly allowance of commissary goods (\$20/week) that is tracked and monitored by staff by way of weekly commissary order slips. If this entire section is not stricken from the report, then - at minimum - the erroneous statement that the Department fails to track the distribution of commissary goods to inmate workers should be stricken as it is untrue.

¹⁴ State of New York Office of the State Comptroller, Division of Management Audit and State Financial Services, Village of Avon, Selected Financial Management Practices (Report 99-S-26).

Sheriff’s Department Response to Recommendation (7):

The Department asserts that it already has an appropriate process of distributing and tracking of free goods to inmate workers and, thus, this recommendation is unnecessary. It must be noted that free goods are not distributed to employees, and the Department requests this statement be stricken from the report. Firstly, the Comptroller does not indicate that the audit revealed any such action by the Department; secondly it’s wholly untrue; and finally, the connotation is an affront to the integrity of the Department and its members.

Auditor’s Follow-up:

We believe that the distribution of free Commissary goods relates to item (b) of section 7016.1 of the minimum standards, which states “The prices of any items offered for sale shall be fixed by the sheriff, or official in charge, to the extent that the commissary operation will be self-supporting and will provide a modest return above costs”.

The weekly commissary order slips only identify the count and type of the goods issued to the inmate workers. It does not identify the inmate workers receiving the goods or the number and type of items each inmate worker received. Therefore, we stand behind our comment that the Department fails to sufficiently track the distribution of Commissary items to inmate workers. As the Department requested, we have revised our recommendation to note that free goods are distributed to inmates only, not to employees.

The distribution of free Commissary goods to inmate workers comes at a cost, and thus should be documented and monitored.

Finding (8):

Strengthening of Controls over Commissary Time and Leave and Overtime Records is Needed

Sheriff’s Department Response to Finding (8):

The Department notes that this particular finding does not address any of the requirements specified in section 7016.1 of the minimum standards and, thus, believe it should be stricken from this report.

In any event, there is no need or legal basis to maintain time records for inmate workers. That said, inmate work activities are noted in various Department records for security reasons, such as log books and floor activity sheets.

Sheriff’s Department Response to Recommendation (8):

As above, there is no need or legal basis to maintain time records for inmate workers. That said, inmate work activities are noted in various Department records for security reasons, such as log books and floor activity sheets.

Auditor’s Follow-up:

We believe that our audit finding regarding the need to strengthen controls over Commissary time and leave and overtime records for Commissary employees addresses the requirements of section 7016.1 of the minimum standards. Item (b) of the standards states that the Commissary operation should be self-supporting. As noted in the report, Commissary funds can be used to pay the wages of staff that operate the Commissary. In fact, in 2010 and 2011 the Correctional Center transferred amounts of \$500,000 and \$400,000 respectively from the Commissary account to the County’s General Fund to cover Commissary employees’ salaries paid from the General Fund. Therefore, it was relevant for the auditors to review Commissary staff time and leave and overtime records.

While the Department’s response noted that inmate work activities are noted in various Department records, we were advised during the audit that the records do not identify the inmate workers who specifically assisted at the Commissary. We reiterate our recommendation that the Correctional Center maintain time records for inmate workers who assist at the Commissary and that it require Commissary employees to record any overtime worked on their time sheets.