



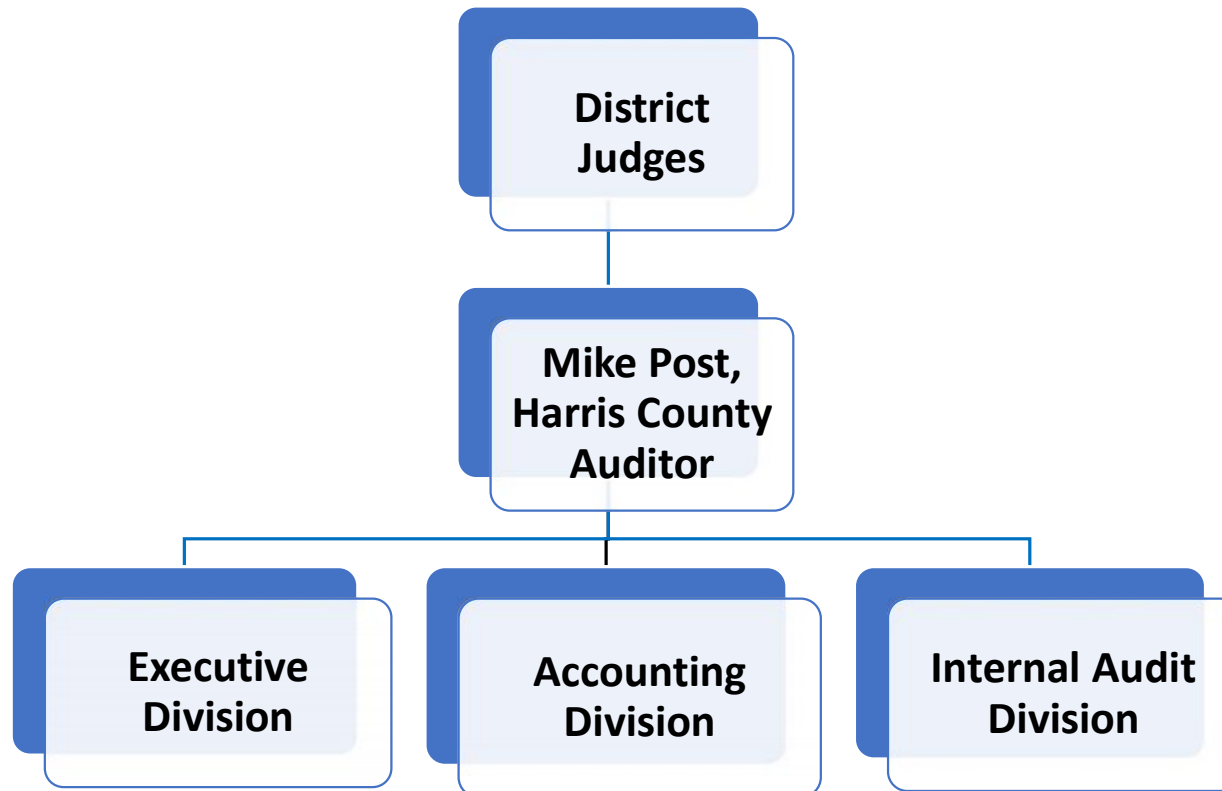
Harris County Auditor's Office

2025 County Auditors Institute
Auditing the Commissary
April 30, 2025

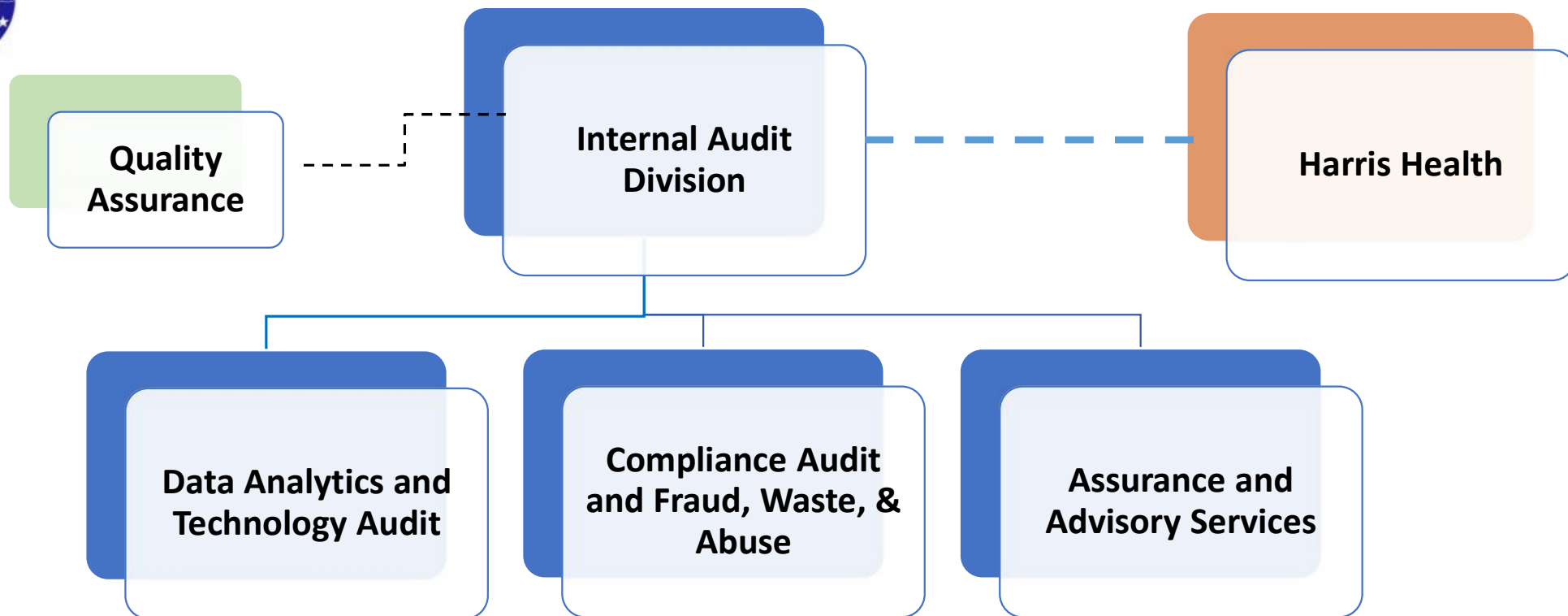


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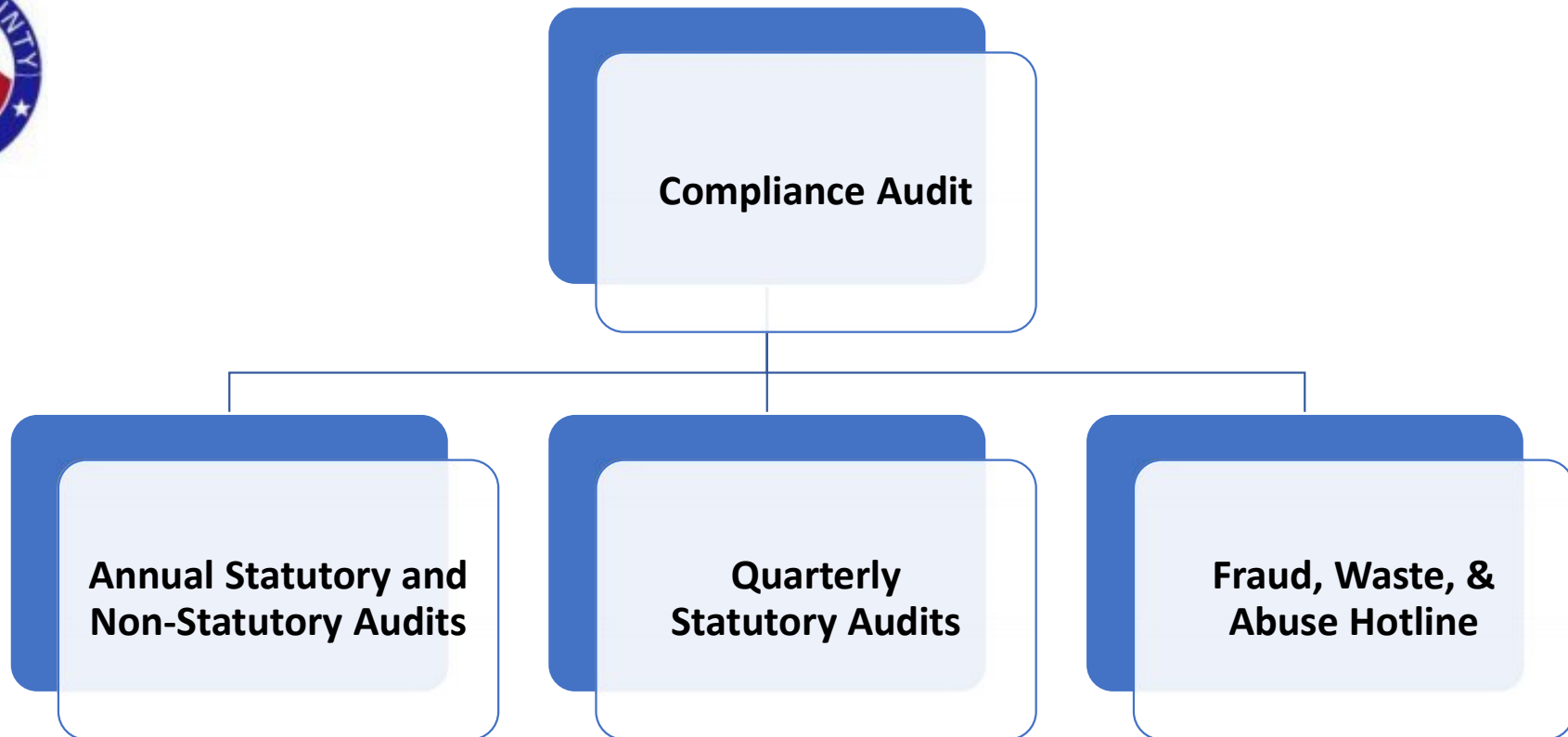
Harris County Auditor's Office



Harris County Auditor's Office Internal Audit Division



Harris County Auditor's Office – Compliance Audit



2025 County Auditors Institute - Auditing the Commissary

- Jail Commissaries were established in 1930 by the US Department of Justice.
- The purpose of the commissary is to sell food products, hygiene supplies, clothing, over the counter drugs, and writing materials that are not provided to inmates by the County.
- The commissary is typically operated by the sheriff's office or a contracted company.
- Individual inmate trust accounts are established with funds in the inmates' possession at the beginning of incarceration and credited with deposits made thereafter. Inmates may place orders for commissary items, subject to available funds in their trust accounts.

2025 County Auditors Institute - Auditing the Commissary

LGC § 351.0415 - Commissary Operation by Sheriff or Private Vendor

(d) For a jail under the supervision of the sheriff, at least once each county fiscal year, or more often if the commissioners court desires, the auditor shall, without advance notice, fully examine the jail commissary accounts. The auditor shall verify the correctness of the accounts and report the findings of the examination to the commissioners court of the county at its next term beginning after the date the audit is completed.

LGC § 511.016 - Audits

(a) Each county auditor shall provide the commission with a copy of each audit of the county jail's commissary operations the auditor performs under Section 351.0415, Local Government Code, and a copy of the annual financial audit of general operations of the county jail. The county auditor shall provide a copy of an audit not later than the 10th day after completing the audit.

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Local Government Codes Authorizing the County Auditor to Review County Finances

- 115.001 – Examination of records
- 115.002 – Examination of Books and Reports
- 115.0035 – Examination of funds collected by county entity or the district
- 115.901 – Examination of certain records by County auditor or County Treasurer

2025 County Auditors Institute - Auditing the Commissary

LGC § 351.0415 - Commissary Operation by Sheriff or Private Vendor

(a) The sheriff of a county or the sheriff's designee, including a private vendor operating a detention facility under contract with the county, may operate, or contract with another person to operate, a commissary for the use of the inmates committed to the county jail or to a detention facility operated by the private vendor, as appropriate. The commissary must be operated in accordance with rules adopted by the Commission on Jail Standards.

(b) The sheriff or the sheriff's designee:

- (1) has exclusive control of the commissary funds;
- (2) shall maintain commissary accounts showing the amount of proceeds from the commissary operation and the amount and purpose of disbursements made from the proceeds; and
- (3) shall accept new bids to renew contracts of commissary suppliers every five years.

2025 County Auditors Institute - Auditing the Commissary

LGC § 351.0415 - Commissary Operation by Sheriff or Private Vendor

(c) The sheriff or the sheriff's designee may use commissary proceeds only to:

- (1) fund, staff, and equip a program addressing the social needs of the inmates, including an educational or recreational program and religious or rehabilitative counseling;
- (2) supply inmates with clothing, writing materials, and hygiene supplies;
- (3) establish, staff, and equip the commissary operation and fund the salaries of staff responsible for managing the inmates' commissary accounts;
- (4) fund, staff, and equip both an educational and a law library for the educational use of inmates; or
- (5) fund physical plant improvements, technology, equipment, programs, services, and activities that provide for the well-being, health, safety, and security of the inmates and the facility.

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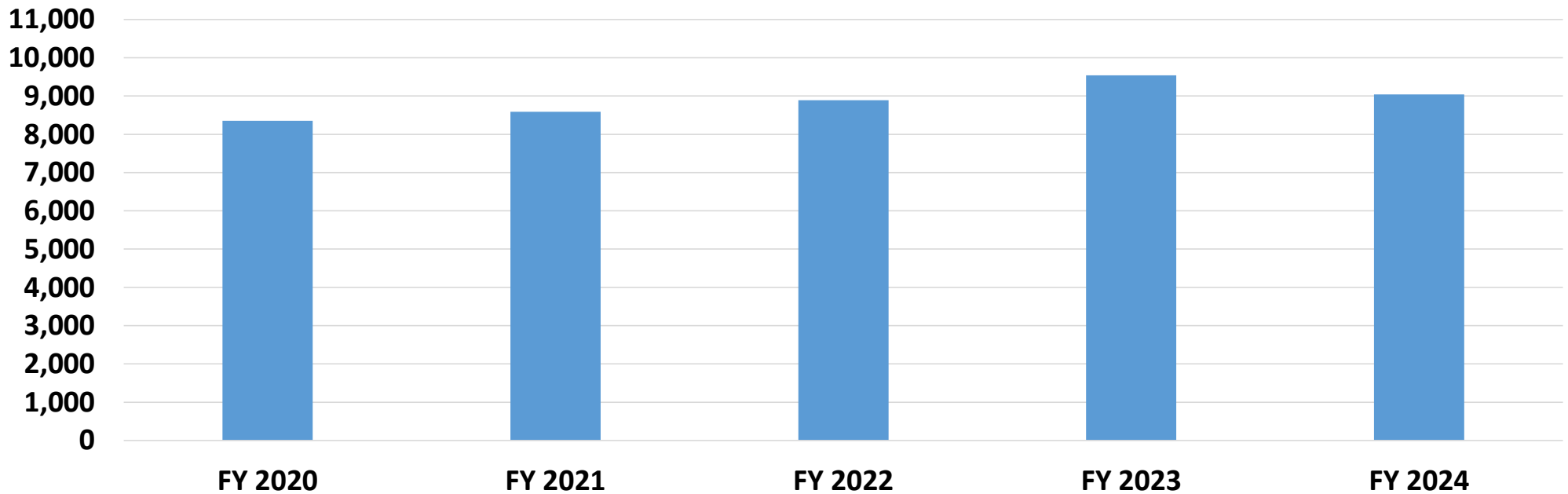
Texas Administrative Code Title 37, Part 9, Rule §291.3 – Inmate Commissary Plan

Each facility shall have and implement a written plan, approved by the commission, governing the availability and use of an inmate commissary which allows for the purchase of hygiene items and sundries. The plan shall:

- (1) indicate type of services, in-house or vendor;
- (2) indicate frequency of services;
- (3) provide procedures for inmates obtaining items;
- (4) provide for yearly audits by the county auditor in accordance with the Local Government Code, § 351.0415. The audits shall be submitted to the commission not later than ten days following completion; and
- (5) provide that all expenditures from commissary proceeds be made in accordance with the Local Government Code, § 351.0415.

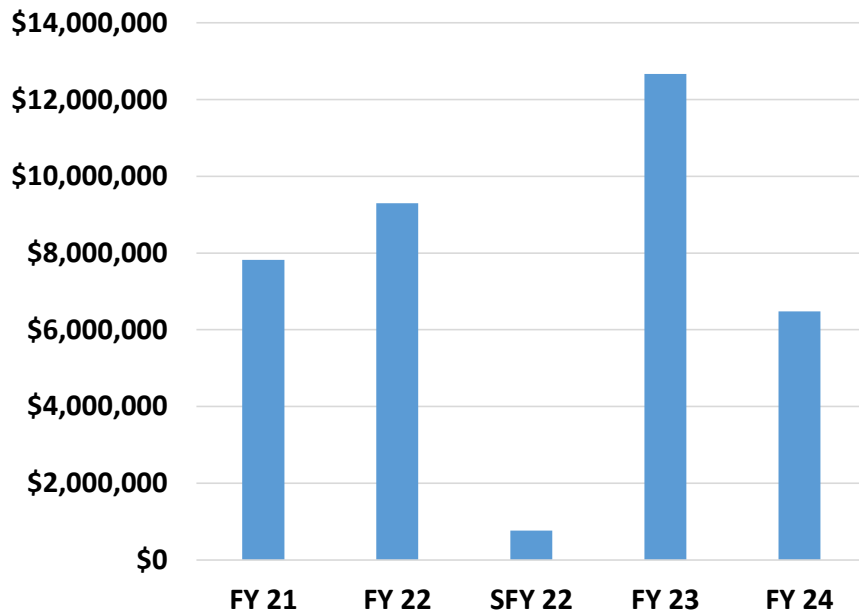
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**Harris County Inmate Population
Fiscal Year 2020-2024**

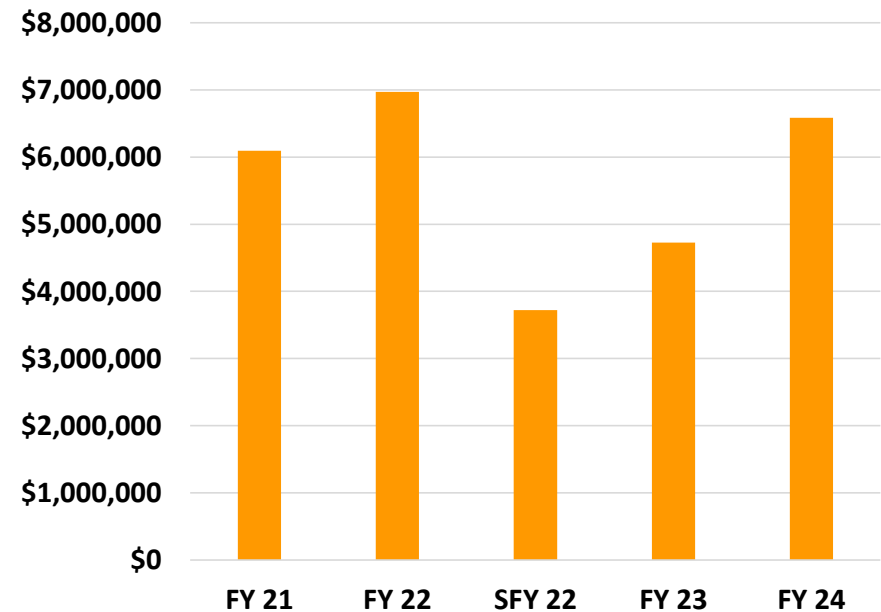


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Revenue FY 21 - FY 24

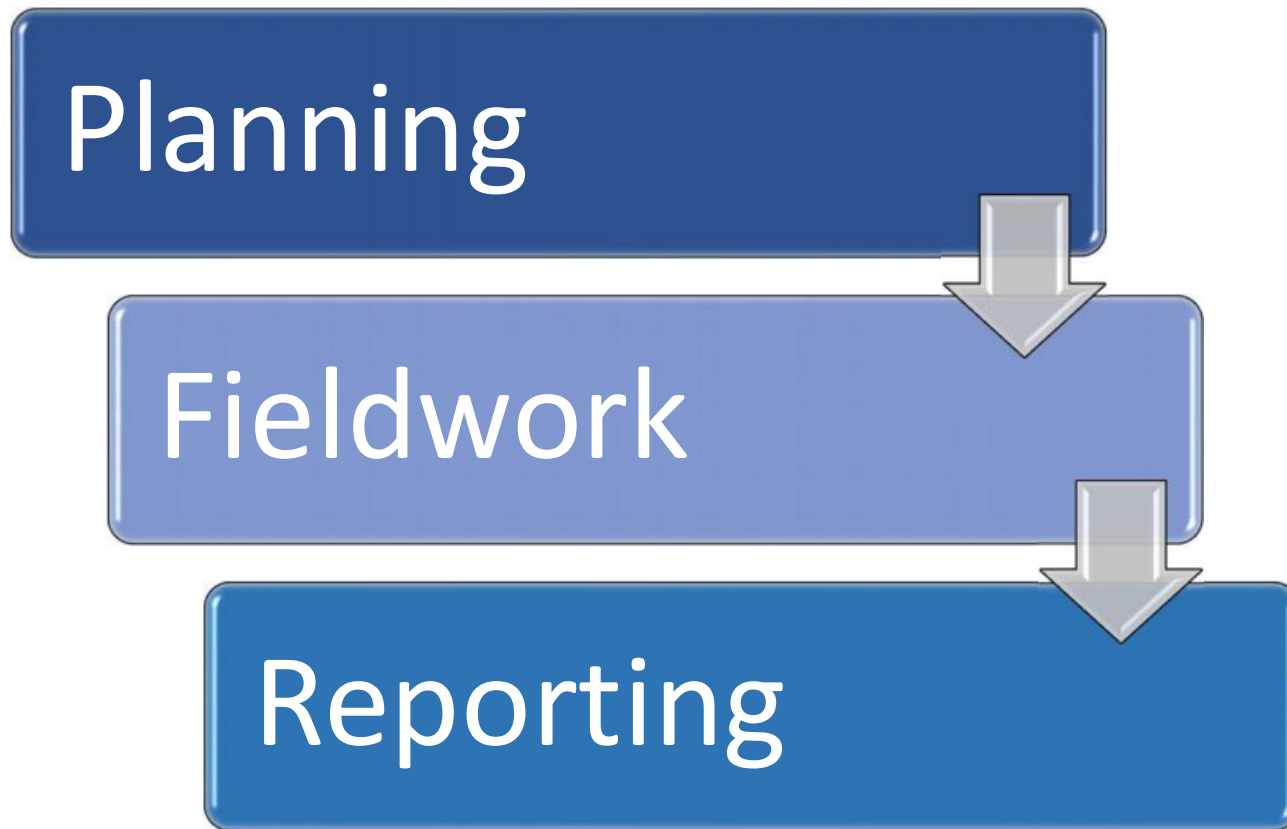


Disbursements FY 21 - FY 24



Note: SYF 22 - Seven months ended September 30, 2022

2025 County Auditors Institute - Auditing the Commissary



Sheriff's Jail Commissary - Planning

Audit planning includes, but is not limited to:

- Reevaluate the approach used in previous audits for efficiency and effectiveness.
- Perform research to determine if relevant statutes have been changed or if other Texas counties have identified fraud or significant findings.
- Review the contract agreement between the Sheriff's Office and the commissary vendor.
- Interview Sheriff's Office Commissary staff members to determine if there have been significant operational or staff changes.
- Perform on-site observations of commissary operations, including jail visits.
- Evaluate department controls in place to ensure compliance with statutory requirements.

Audit objectives should reflect the statutory requirements and risks identified for the county and Sheriff's Office.

There is no one size fits all.

Sheriff's Jail Commissary - Planning

Engagement scope objectives were to determine whether:

1. Bank reconciliations are timely and accurately prepared, and reconciling items are timely resolved (on a sample basis).
2. Disbursements comply with Local Government Code Section 351.0415 and are properly authorized, supported, and accurately recorded in the Commissary System and the County's financial records (on a sample basis).
3. Reimbursements for Commissary sales are made to the Keefe Commissary Network, LLC (Contractor) in accordance with the Agreement, and are properly authorized and accurately recorded.
4. Contractor payments are made to the County in accordance with the Agreement, and payments are deposited timely and accurately recorded.
5. The Contractor complied with the performance bond and insurance coverage terms of the Agreement.
6. A written Inmate Commissary Plan has been approved by the Commission.
7. Only active employees have user access rights and privileges in the Commissary financial system (QuickBooks).

Sheriff's Jail Commissary - Planning

Always document audit steps and sampling methodology.

Sheriff's Jail Commissary - Fieldwork

Sample Audit Procedures

1. Review monthly bank account reconciliations for compliance with County Policy.
 - Were the reconciliations completed accurately and timely?
 - Were reconciling items cleared timely?
 - Were outstanding checks properly remitted?
2. Determine whether disbursements complied with Local Government Code Section §351.0415.
 - Were the commissary funds used for allowable items?
 - Were the disbursements properly approved?
 - Were the disbursements accurately recorded in the County's Financial Accounting System?
3. Determine whether reimbursements for Commissary sales are made to the Commissary Vendor in accordance with the Contract Agreement.
 - Did the monthly reimbursement payments made to the Contractor agree with commissary sales data?
 - Were the reimbursement payments properly authorized?
 - Were the reimbursement payments accurately recorded in the County's Financial Accounting System?

Sheriff's Jail Commissary - Fieldwork

Sample Audit Procedures

4. Determine whether the Contractor made payments to the County in accordance with the Contract Agreement.
 - Did the Commissary vendor pay Harris County 60% of net sales?
 - Did the Contractor pay Harris County a minimum of 6 million dollars per year?
 - Did the Commissary vendor reimburse Harris County for the salaries of 5 officers that assist with commissary operations?
5. Did the Contractor comply with the performance bond and insurance coverage terms of the Contract Agreement?
 - Obtain the performance bond and insurance coverage documentation submitted by the Contractor.
 - Review documentation received for compliance with Contract Agreement terms.
6. Does the Sheriff's Office have an Inmate Commissary Plan that was approved by the Commission on Jail Standards?
 - Obtain a copy of the Inmate Commissary Plan and determine whether it has been approved by the Commission.
7. Evaluate the user access rights and privileges of the Commissary financial system, QuickBooks.
 - Obtain a listing of all QuickBooks users and their associated permissions.
 - Confirm that all users are current County employees.
 - Determine whether the users access agrees with assigned job duties and responsibilities.

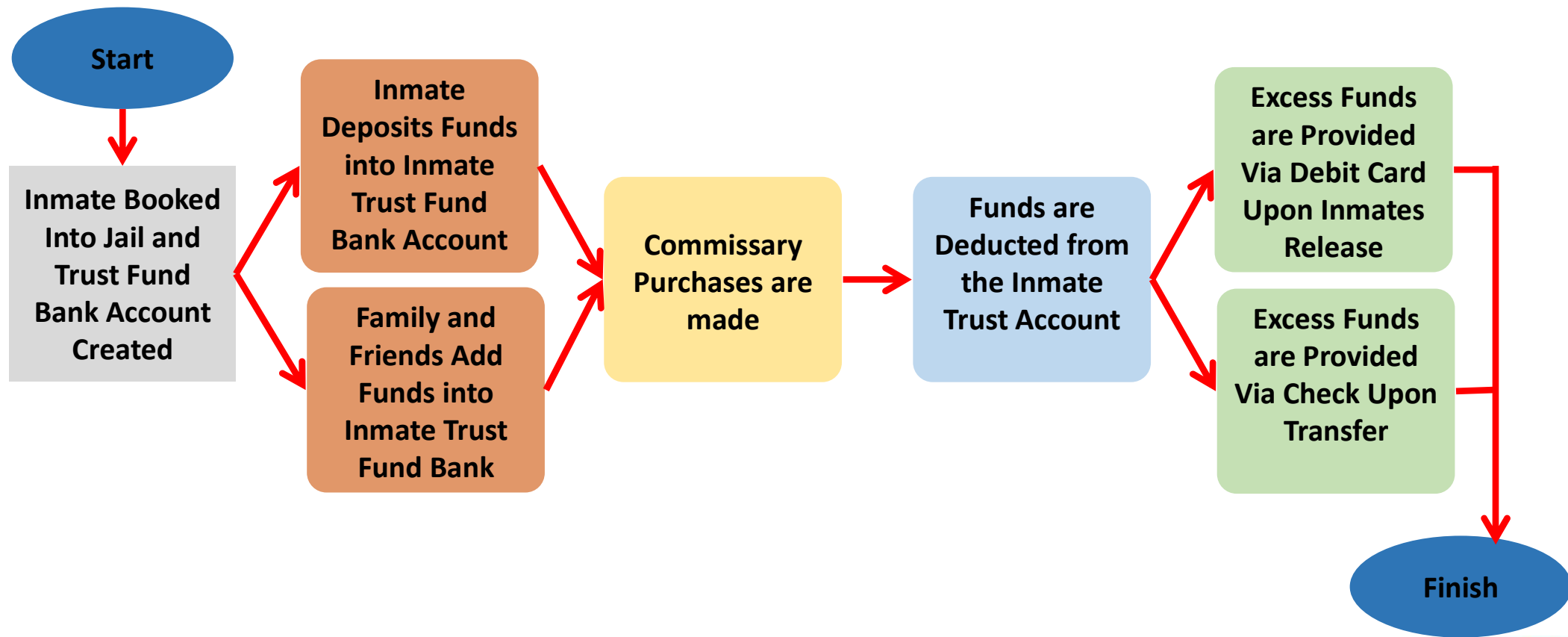
**Be sure to communicate
your results prior to
issuing the audit report.**

Sheriff's Jail Commissary – Reporting

Examples of audit observations:

- A payment to the Contractor was recorded twice within the County's Financial records.
- Controls for the administration of the QuickBooks application need to be improved. Specifically, users had the wrong roles assigned, terminated employees were not removed timely, and a backup system administrator had not been assigned.
- Sales reimbursement payments made to the Contractor from the Harris County inmate trust fund account exceeded the amount invoiced.
- The Sheriff's Office did not have adequate accounts receivable processes and procedures in place for monitoring and collecting commissions owed.

Inmate Trust Fund and Commissary Process



Sheriff's Inmate Trust Engagement – Scope Objectives

Engagement scope objectives were to determine whether:

1. Inmate Trust Fund balances were accurately and timely provided to inmates or a receiving correctional facility upon an inmate's release or transfer, respectively;
2. Inmate Trust Fund withdrawals were properly authorized, monitored, and accurately recorded in Edge;
3. Inmate accounts in Edge agreed with accounts in the Offender Management System (OMS);
4. Edge user roles were authorized, monitored, and appropriate;
5. Inmate Trust Fund bank account reconciliations complied with Accounting Procedure C.8, Custodial (Agency) Bank Accounts;
6. Inmate Trust Fund activity was accurately and timely recorded in the County's Financial System (PeopleSoft); and
7. Inmate Trust Fund internal procedures accurately reflect current processes.

Sheriff's Inmate Trust Engagement – Observations

Engagement observations:

- Inadequate user access controls exist within the Edge system.
- Sheriff's Office Management is not performing key reconciliations for the Edge system.
- Funds owed to former inmates have not been returned.
- Bank Account Monthly Summary Reports were not completed timely.

Inmate Food Services Engagement – Scope Objectives

Engagement scope objectives were to determine whether:

1. Inmate food services and contingent labor payments were made to the Contractor in accordance with the Agreement, and payments were properly authorized and accurately recorded.
2. Officer salary reimbursement and kitchen usage fee payments were made to the County in accordance with the Agreement, and payments were deposited timely and accurately recorded.
3. The Contractor complied with the performance bond and insurance coverage terms of the Agreement.
4. The Contractor complied with the capital renewal investment terms of the Agreement.

Inmate Food Services Engagement – Observation

Engagement observation:

- Salary reimbursement and kitchen usage fee payments received from the Contractor were not deposited timely by the Sheriff's Office.

2025 County Auditors Institute



Thank You

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