

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

Walton County
Department of Corrections
Inmate Welfare Audit

Martha Ingle
Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 0112
December 2011

REPLY TO:

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MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

January 12, 2012

Stan Sunday, Department of Corrections Director

The Internal Audit Department has conducted an audit of Walton County Department of Correction's Inmate Welfare program. The program accounts were reviewed for the period of October 1, 2010 to September 30, 2011 to determine if internal controls for the programs accounting are working properly. Also, to determine if the Department was in compliance with applicable statutes, laws, rules, regulations, policies, and procedures.

The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review. These standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Based on the audit objectives, Internal Audit believes the evidence obtained provides a reasonable basis for the findings and conclusions.

Responses to our Recommendations for Improvement were received from the Department and are incorporated herein and included as Attachment A.

Internal Audit appreciates the cooperation of the personnel of the Corrections Department during the completion of this audit.

Johnny Street
Internal Audit Manager

Approved:

Martha Ingle
Clerk of Court

c: Board of County Commissioners
County Administrator

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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a review of the Walton County Department of Corrections (Department) Inmate Welfare program (program). The review included an examination of the inmate accounts for the period of October 1, 2010 through September 30, 2011. The objective of the audit was to determine if adequate controls were in place to ensure deposits and charges to the accounts were accurate, timely, and legitimate. Also, to ensure the accounts were properly closed and any remaining funds were returned.

In the opinion of internal audit, controls over the Inmate Commissary Program were adequate during the audit period. Based on the results of the work performed, nothing came to the auditor's attention to indicate that the program accounts were not materially accurate or complete. Opportunities for improvement were noted in certain areas and are included in this report. The recommendations are summarized as follows:

The prices charged for certain commissary items exceeded the fair market value for comparable products sold in the surrounding community. This does not comply with Florida Statute 951.23(9)(b) (FS) which states that canteen prices shall not exceed the fair market value for comparable products sold in the community where the facility is located.

The Keefe Commissary system did not always charge the appropriate fee to the inmate's accounts. A daily subsistence fee which helps offset the cost of detaining inmates begins on the first day of incarceration. The daily fees did not always begin or end at the appropriate time. Sometimes the system would not charge the daily fee for several days. In addition, the initial (booking) fee was not always charged to the inmates account.

The inmates may receive cashier's checks or money orders that are recorded to their accounts to pay for charges, fees, and commissary purchases. Some of the money orders were not deposited into the inmate welfare bank account in a timely manner. Late deposits ranged from five days to 31 days after the money order was received and recorded in the Keefe Commissary system.

A review was conducted of the program's revenue and expenditures. Nothing came to the auditor's attention that would facilitate a recommendation for improvement. The Internal Audit Department commends the efforts of the Corrections Department in ensuring that the inmates' accounts are properly administered.

INTRODUCTION



INTRODUCTION

Inmate Welfare Audit

Background

The corrections department houses inmates who are incarcerated for less than a year. The department provides a welfare program which allows the inmates to purchase certain necessities such as tooth paste, tooth brush, and soap. The inmates may also purchase certain comfort items including clothing, snacks, books, and writing materials. In addition, the Walton County Board of County Commissioners adopted Resolution 2011-11 on February 22, 2011 which revised the schedule of charges for reimbursement of subsistence fees, medical costs and damage to County property. The department uses the Keefe Commissary Network System (system) to track and record the inmate's accounts. An account is established when the inmate is processed into the jail. Any money that the person has with them when they are booked into the jail is deposited into their account. Additionally, anyone can provide the residents with additional funds using money orders and cashier checks. The money received is recorded into the resident's account and the money is deposited into the Inmate Welfare Account. The balance in the inmates' account may be used to purchase items through the system.

Once each week the inmates are allowed to order a limited amount of items through the system if they have available funds. If they have no funds they may only request the necessities noted above and/or a clothing pack consisting of under garments. The orders are charged to the residents account. In addition, the department charges each resident a two dollar per day subsistence fee unless the resident is a trustee, juvenile, or federal inmate. If the resident needs medical services or damages County property, their account is charged the amount based on the fee schedule.

When the inmate is released, their account is closed out and the balance in their account is refunded by a County check. If the inmate has a negative balance, that amount remains in their account. If they return at a later date the account and any balance is reinstated.

Scope, Objectives, and Methodology

The review of the welfare program was conducted for the period of October 1, 2010 through September 30, 2011. The objective of the review was to determine if the departments' internal controls over the collection, deposit, and accounting of the program are adequate. The proper segregation of duties for the receipt of money, deposits, and the refund of accounts were also reviewed. Additionally, the review was completed to ensure that the inmate's accounts were properly charged for items ordered and fees due.



INTRODUCTION

Inmate Welfare Audit

A sample of the inmate accounts was selected from a recent invoice from the Keefe Commissary Network Sales. The account activity for each of the sampled inmates was reviewed. The accounts were recalculated to ensure accuracy and completeness. The inmate's charges noted on a selection of invoices were compared to their accounts. The inmate's initial deposit was traced to the corresponding deposit slip. Withdrawals from the accounts were traced through the Navaline Accounting System. In addition, the price of products provided by Keefe was compared to the price of comparable products in the vicinity of the Correctional Facility as required by FS 951.23(9)(e).

Overall Conclusion

Based on the results of the work performed, the Walton County Department of Corrections provided good internal control over the Inmate Welfare program and materially complied with applicable laws, rules, and regulations and policies and procedures. In the opinion of Internal Audit, the system of internal controls over the program was adequate. Recommended improvements are included in this report.

**RECOMMEDATIONS FOR
IMPROVEMENT**

RECOMMENDATIONS
FOR IMPROVEMENT

Inmate Welfare Audit

1. **Keefe Product Pricing did not Always Comply with Florida Statutes.**

Inmates who have funds available in their accounts may purchase items through the Keefe Commissary System. The inmates may choose from a list of items provided by Keefe. Some of the prices charged for the items do not comply with Florida Statute 951.23(9) (b) which states, in part, that the prices shall not exceed the fair market value for comparable products sold in the immediate community. Subsection (e) requires the audit to certify the pricing requirement.

The Department's policy is to conduct a price comparison of items in the general vicinity of the facility and use this information to compare and adjust prices. This policy states in part; "the commissary clerk will perform annual cost comparisons.....price discrepancies that can be justified by taxes being included and/or the cost of shipping/delivery are acceptable." Taking into account that freight charges are included in the price of retail purchases and taxes added, it was noted that certain items exceeded the fair market price of comparable items. However, some of the items were not identical in brand and/or size. Internal Audit attempted to compare items that were similar products with comparable sizes. In addition Keefe is required to provide certain products in special packaging to ensure the package cannot be used inappropriately. This might cause the product to be more expensive.

Good internal control would be to periodically review price comparisons and determine if any variance between Keefe prices and the prices in local stores can be rectified. Without this control the commissary prices might outpace those of the local markets.

Internal Audit Recommends the department continues to conduct cost comparisons to ensure the prices charged the inmates are within the fair market value of comparable items. When a discrepancy is noted the price should be analyzed to determine if an adjustment should be made based on the products compared. Management should work with Keefe to ensure the product pricing of comparable products complies with Florida Statutes.

Management's Response: We continue to conduct a cost comparison study each year to make sure the product prices charged are within fair market value of comparable items in our community. We agree when a discrepancy is discovered we will analyze it to determine if a price adjustment is called for. Management will continue to work with our commissary company to ensure prices comply with Florida Statutes as

RECOMMENDATIONS
FOR IMPROVEMENT

Inmate Welfare Audit

interpreted by your audit. Following your 2010 audit we did make changes to commissary items of which we could not reconcile price differences. We received an updated price list from our commissary company, Keefe, last year and started using it the end of calendar year 2011. A cost comparison study will be conducted within 60 days to reevaluate any pricing issues that may exist. We are currently conducting a request for proposals for a commissary vendor. Another cost comparison study will be completed as soon as the contract is awarded. As soon as cost comparison studies are completed the Support Lieutenant will file the study along with the price list and comments on what items were deleted or negotiated to a different price. This will be filed in the administrator's office and serve to document the process of balancing the pricelist with the latest cost comparison study.

2. The Keefe Commissary System does not always Record Fees Properly.

On February 22, 2011, the Board of County Commissioners revised the schedule of fees for items that may be charged to the inmates Resolution No. 2011-11 provides for an initial subsistence fee of \$20.00 and a subsistence fee of two dollars per day to help offset the cost of incarceration and help provide for inmate education and job training among other services. The resolution provides for the daily subsistence fee to begin on the first day of incarceration at the Correctional Facility. The department began charging the daily fee on June 26, 2009. The Keefe system is supposed to automatically charge the fees to the inmate's account. The accuracy and completeness of the charges to the residents' account was reviewed. It was noted that the proper charge was not always posted to each account by the Keefe system.

It was noted that 13 of the 22 accounts tested or 59% had incorrect charges. Nine of the 13 resulted in fees due the County. The remaining fees were overcharges to the inmate's accounts. The errors ranged from \$2.00 to \$64.00. If this omission is detected by a correction's employee, a manual entry for that account must be completed. Further, it was noted that two of the accounts tested were not charged the initial subsistence fee of \$20.00.

Good internal control would entail a level of management oversight of the information that is input into a computer system, especially any information that requires a manual adjustment. Without proper review management cannot ensure that the information in the system is correct and accurate.

RECOMMENDATIONS
FOR IMPROVEMENT

Inmate Welfare Audit

Internal Audit Recommends that management work with Keefe to determine the cause and corrective action needed to ensure the system records the charges accurately. An exception report should be generated each time the daily subsistence fee starts or stops for each account. This report could be reviewed periodically to ensure that the daily fees are proper, authorized, and accurate.

Management's Response: Management agrees with the internal audit recommendation that we work with our commissary vendor to determine the cause and corrective action to ensure the commissary system records jail charges correctly. Management has feverishly worked with our commissary and jail management system vendors to correct these issues. We have 14 threads of e-mails between ourselves, Keefe and Executive Information Services involving 75 e-mails trying to work on this issue. We had a face to face meeting in our administrative office with our Keefe representative, Mike Connelly, on September 6, 2011 to express our frustrations with not finding resolutions to our issues involving commissary charges. Mr. Connelly made a lot of promises at this meeting, face to face, none of which materialized into any solutions. Delays in responding to these issues created hundreds of accounts that needed to be manually adjusted. It was at this point we decided to go out for Request for Proposals to see if another company could better provide the services we expect from a commissary vendor. We were informed by Keefe that Mr. Connelly was removed from his position shortly after our announced intentions of seeking RFPs. Management is very aware of this situation and has been actively involved in trying to solve it and is now in the process of receiving proposals for possibly a new commissary vendor. As we stated in last year's audit response, Keefe's tech support staff has tried unsuccessfully for years to be able to fully support our department's needs to have these charges recorded correctly. Once we have a vendor in place and our inmate charges are being consistently debited correctly, an exception report will be utilized for periodic review as suggested in the audit. We are very hopeful our RFP process for a commissary vendor will solve these issues with inmate charges.

3. **Certain Deposits Into the Inmate Welfare Account were not Timely.**

Inmates are allowed to receive funds to pay for subsistence fees and make purchases from the commissary, while incarcerated in the detention facility. These funds may be in the form of money orders or certified checks. The funds are receipted by the department, the amount is



**RECOMMENDATIONS
FOR IMPROVEMENT**

Inmate Welfare Audit

recorded into the inmates account, and the money orders and checks are sent to the Clerk of Court's Finance Department for deposit into the Inmate Welfare Account. Five of the 22 accounts reviewed or 23% had money orders that were not deposited timely; some were up to 31 days late. However, total deposits examined resulted 14 of 275 or 5% of the deposits being late. One money order was not recorded in the inmate's account until 7 days after it was deposited.

Controls should be in place to ensure that all funds received are recorded and deposited in a timely manner. Good business practice would be to deposit all receipts daily. Without proper controls the Department cannot ensure that the inmates have access to their accounts and that all receipts are properly deposited.

Internal Audit Recommends that management ensure that all monies received by the Department are deposited as soon as feasible, preferably by the next business day.

Management's Response: Management agrees all inmate monies received by the Department are deposited as soon as feasible, preferably by the next business day. Management has already taken steps to correct this issue. On December 17, 2010 our commissary clerk received a 1st level warning for failing to deposit money orders in a timely fashion. Sixteen of the deposits noted in the audit were money orders from the time frame our corrective action was addressed. Two of the deposits mentioned were at the auditor's five day limit during the Martin Luther King holiday weekend. Other than those there was only one other money order, in February, deposited late. Management believes the corrective action taken to correct issues with timely deposits of money has been successfully dealt with. This was an error by our clerk that has not been repeated. The money received the audit reported was recorded seven days after deposit involved money first being deposited in the wrong inmate's account. The money was first deposited into Mark B. Thompson's account. As soon as the mistake was brought to our attention the money was removed from Mark B. Thompson's account and deposited into Mark Matthew Thompson's account on March 21, 2011 seven days after the monies initial deposit. Management is in full agreement with the internal audit recommendations to ensure all monies are deposited in a timely manner and our actions have supported that commitment.