



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF DETENTION CENTER INMATE ACCOUNTS

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2020.

What We Found

We noted that reconciliation procedures can be improved.

Report Number: 2020-A-10

Date Issued: 12/03/2019

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of inmate accounts at the Harford County Detention Center. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found that the control processes over inmates' accounts and revenue reporting are generally effective. However, weekly reconciliations between the Detention Center's bank account and accounting system require the review of additional information to ensure they are complete and accurate.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Jeffrey Gahler, Sheriff
Mr. Michael Capasso, Warden, Harford County Detention Center



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REVIEW RESULTS

We have audited inmate accounts at the Harford County Detention Center for the period of 07/01/2017 through 09/30/2019. Our opinion, based on the evidence obtained, is that the control processes over inmates' accounts and revenue reporting are generally adequate, but can be improved with complete reconciliation procedures. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

| Risk | Expected Control | Conclusion |
|---|---|---|
| Inmate account balances are incorrect | <ul style="list-style-type: none"> • At booking, an inmate account is created in the Inmate Management System, and any cash on hand is deposited into that account, by an Officer, via kiosk. • Inmates sign and receive receipts confirming each transaction • Account balances are refunded by cash or check when an inmate leaves custody | <p style="color: green;">Satisfactory</p> <p style="color: green;">Satisfactory</p> <p style="color: green;">Satisfactory</p> |
| Cash is not secured at the Detention Center | <ul style="list-style-type: none"> • Duty Officers confirm cash on hand at each shift change • Cash is deposited into kiosks with access restricted to the kiosk vendor | <p style="color: green;">Satisfactory</p> <p style="color: green;">Satisfactory</p> |
| Bank transactions are unauthorized or unsupported | <ul style="list-style-type: none"> • Accountants reconcile bank accounts to deposits, withdrawals and transaction reports • A vendor is responsible for reporting all kiosk, check, mobile and online deposits | <p style="color: orange;">Needs Improvement</p> <p style="color: green;">Satisfactory</p> |
| Detention Center Revenue is not completely reported to the County Treasurer | <ul style="list-style-type: none"> • Revenue is deposited to the Treasurer weekly • Deposit amounts are calculated based on reports from the Inmate Management System | <p style="color: green;">Satisfactory</p> <p style="color: green;">Satisfactory</p> |

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report; the response provided follows the Report.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2020-A-01.01 Incomplete Reconciliation Procedures

Reconciliations require additional information to ensure they are complete and accurate.

Analysis: Inmate funds are managed in the Detention Center's accounting system by the Accounting Officer, who performs routine revenue calculations and bank-to-book reconciliations to ensure the accuracy of inmates' fund balances and County revenue paid from the Sheriff's bank account to the Treasurer's Office. Monthly reconciliations are performed to agree the bank and checking ledger balance. A weekly reconciliation is performed to ensure that system accounting transaction reports agree to the weekly Treasury deposit, withdrawal and deposit totals in the Detention Center's bank account, the refund checks issued and the revenue that should have been recognized.

We tested 18 weekly files and found all shift change cash counts were signed and approved, the cash drawer counts balanced, cash deposits matched cash withdrawals, commissary withdrawals and refunds agreed to support and bank statements, and the deposits in Treasury agreed to the system reports. However, for four (4) of the 18 weeks sampled, the bank deposits did not match the system's Revenue Report Summary.

Three exceptions related to five deposits to inmate accounts totaling \$191.00. These deposits were not entered into the accounting system and the funds were not found in the inmates' accounts. Upon reviewing these deposits, we found system changes were made in August 2019 to ensure deposits made for the payment of non-commissary charges (e.g., Work Release and Weekender fees) were not used for commissary purchases. As a result of the changes, some on-line and mobile phone deposits required manual entry into the inmate management system. The manual entry process was never implemented. Management has advised us how the errors have been corrected. These errors were not initially detected because the weekly reconciliation process does not include a procedure reconciling each day's deposit totals to the deposits in the inmate accounting system. As a result, for a specific, small set of transactions, controls were not in place to ensure all deposits received in the Detention Center's bank account were applied to the inmates' accounts.

One remaining exception related to two \$0.22 bank deposits of unknown origin.

We also found an instance in which a booking officer attempted to correct an incorrect system entry by entering an "Other Deposit" for the incorrect amount. The "Other Deposit" category represents a non-monetary transaction in the system, so while the inmate's

account was balanced by the correction, the transaction resulted in overstated deposits and Weekender revenue in the amount of the difference (\$40.40). There were no other instances of "Other Deposit" transactions in the weeks sampled.

Recommendation: We recommend the weekly reconciliation process include a three-way match between the inmate management system, bank statement and vendor reported deposits and withdrawals. In addition, we recommend eliminating "Other Deposit" as a transaction classification within the inmate management system.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County Detention Center is responsible for control and accountability of inmate funds during detainment and for the return of funds upon an inmate's release. Funds are held in a bank account, under Sheriff's Office control, which is separate from the County's other banking accounts. During the booking process, an inmate's cash is collected by a Booking Officer and recorded in the Detention Center's inmate management and accounting system using a unique identifying number. Deposits to the inmate's account may be made through Money Order by mail, on-line or mobile credit card deposit, or through deposit of funds through kiosks located in the Detention Center visitor area. Funds are used for commissary purchases as well as charges for services such as medical visits, work release and weekend prisoner boarding fees. An inmate may use their account balance to order items using the kiosks within the facility. Related County revenue is paid from the Sheriff's bank account to the Treasurer's Office. Full refunds of an inmate's account are issued upon release by cash or check, depending on the balance. Revenue for Commissary, Work Release, Weekend Prisoner, and Medical Services in Fiscal Years 2018 and 2019 were \$430,337 and \$403,148, respectively.

The objective of this audit was to confirm that controls are adequate to ensure that each individual's commissary account is properly managed. The scope of the review was limited to inmate accounts at the Harford County Detention Center. This review did not include a complete evaluation of internal control, but instead, relied on substantive testing to support conclusions.

The audit focused on activity during the period of 07/01/2017 through 09/30/2019. Our audit procedures included interviewing personnel, data analysis and testing to confirm the control processes over inmates' accounts and revenue reporting are adequate and performed in accordance with HCSO procedures. Specifically, we met with the Warden, Quartermaster, Special Projects Coordinator, Accounting Officer, and Commissary Accountant at the Detention Center to gather an understanding of the processes for the creation of inmate commissary accounts; handling of cash; purchase, reception and

distribution of commissary items; deposit, withdraw and general accounting of funds; and refunding/closing of accounts.

Based on our understanding of the process, we looked to confirm, for a sample of 18 weeks, all cash was deposited with the bank; all shift change counts were performed; bank deposit information agreed to individual account records. We sought to confirm bank reconciliations were properly performed. We tested samples of transactions to confirm refunds properly balanced and that withdrawals were supported; and, commissary transactions agreed to the signed receipts.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder, CPA, CIA
Senior Auditor



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Mr. Brad DeLauder

Dec. 2nd, 2019

Sr. Auditor - Office of Co. Auditor

Harford County Govt.

Management Response

In reference to Audit Report # 2020-A-10, involving the auditing of Harford County Sheriff's Office Detention Center Inmate Accounts. It is the purpose of this document to give all indications of approval and no challenge to the results of said audit.

The audit process was proper and thorough, yielding few discrepancies. Those issues noted in the *Exit Discussion Notes* were addressed in part. Additional corrections and adjustments to financial operations are to occur in the near future.

Ref. 2020-A-01.01 :

Para. #2 – Weekly reconcile report to be altered from a Mon to Sun – changed to Wed to Wed. This method should capture the overlapping fiscal activity.

Para. #3 – The awareness of this issue was addressed via Deposit Code corrections followed by applicable manual entry.

Para. #4 - The "OTHER" entry code that had been utilized was removed as an option leaving such an occurrence highly unlikely.

Please allow this writing to serve as an official notice of acceptance to the results documented in *Discussion Notes* by the county auditors.

Warden Michael Capasso

Harford County Sheriff's Office

Detention Center