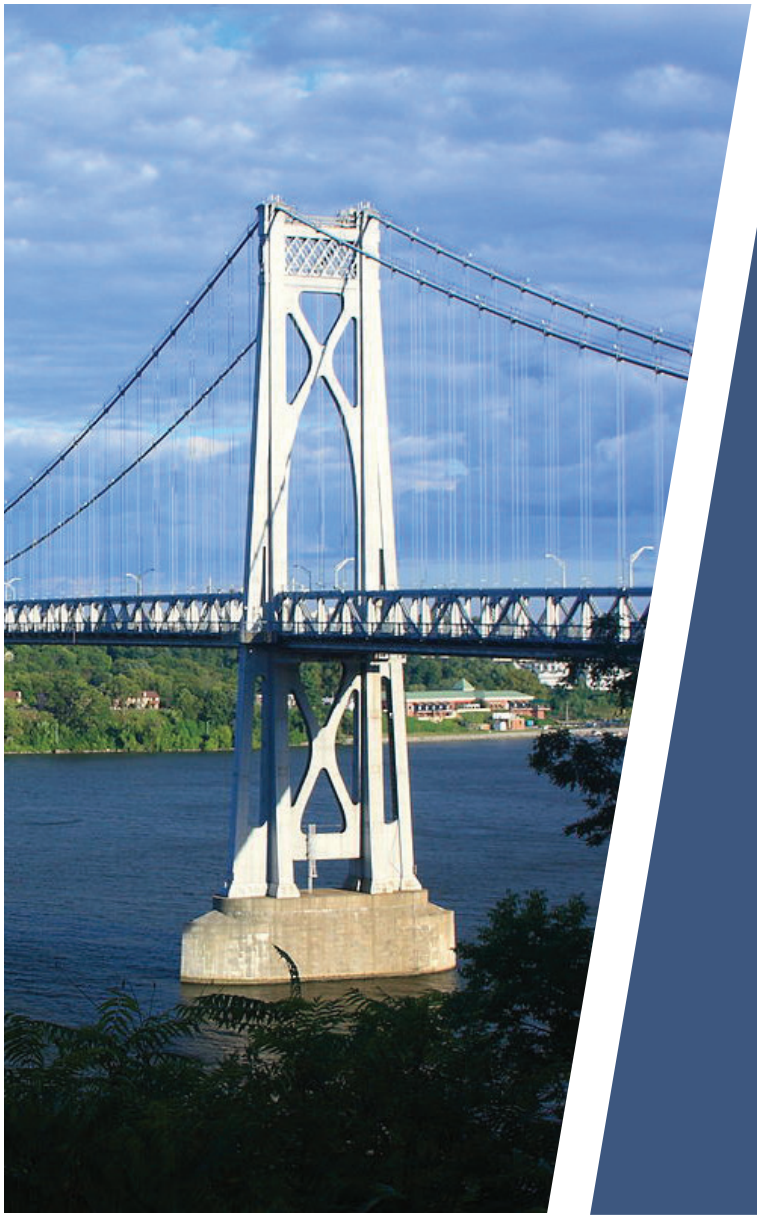
AUDIT REPORT

DUTCHESS COUNTY JAIL

INMATE, COMMISSARY, & INMATE WELFARE ACCOUNTS



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COMPTROLLER

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JUNE 2018

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Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed an audit report of the Dutchess County Jail's Inmate, Commissary, and Inmate Welfare accounts for the period January 1, 2017 to February 28, 2018. This audit was requested by the Sheriff's Office to comply with New York State Law (9 CRR-NY 7016.1), which requires that a "periodic audit of the commissary accounts by the office of county auditor" be conducted. Our records indicate that these accounts have not been audited since 2009, and that a request for audit by the Sheriff's Office to the prior Comptroller was not addressed. My office has added the Commissary and Inmate Welfare accounts to our audit rotation to be completed every two years.

Lack of a periodic audit of the commissary account was one of 14 findings that the New York State Commission of Corrections (NYSCOC) cited in their February 2018 report titled "The Worst Offenders Report: The Most Problematic Local Correctional Facilities of New York State." The NYSCOC has since revisited and reevaluated the County Jail in May 2018 and, although outside the scope of this audit, my office can confirm that of the 14 findings nine have been deemed "closed," one will be closed with this audit, and the remaining four are being addressed by the Sheriff's Office under the NYSCOC's recommendations.

Our audit of the Inmate, Commissary, and Inmate Welfare accounts revealed no misstatements or mishandling of cash or funds. The summary findings of our audit include lack of full segregation of duties and outdated written policies and procedures. We also recommend that the excessive cash balance in the inmate welfare account be spent on the welfare and rehabilitation of the inmates as per 9 CRR-NY 7016.1(c).

Upon the exit interview conducted with the Sheriff's Office these findings had already begun to be addressed. We are confident that these items will be rectified by our next review.

We appreciate the cooperation of the Sheriff's Office and look forward to working with them in the future.

Respectfully submitted,

Robin L. Lois
Dutchess County Comptroller

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Background and Organization

The Dutchess County Sheriff's Office is charged with the duty to maintain and administer the Dutchess County Jail (Dutchess County Sheriff's Office Correction Division) under the regulation and supervision of the State of New York. The Dutchess County Jail is primarily responsible for holding individuals pending adjudication or sentenced to imprisonment for one year or less.

The Dutchess County Sheriff's Office operates a Commissary through a contracted vendor for the purpose of offering food, health, and hygiene items for sale to inmates. Items are offered at prices established by the vendor and the Sheriff's Office. Items purchased returns a profit on goods sold. According to the New York State Commission of Correction, profits can only be used for the purposes of inmate welfare and rehabilitation.

At the request of the Dutchess County Sheriff's Office Correction Division, and in response to the New York State Commission of Correction (NYSCOC) report dated February 2018,[1] this report was conducted.

Objectives

- Review processes and procedures in place for the Inmate, Commissary and Inmate Welfare accounts.
- Include in the Commissary review the New York State Code 9CRR-NY 7016.1 (Exhibit I) and verify compliance where applicable.
- Review and comment on findings from the NYSCOC report in regards to the Commissary.

Audit Scope and Methodology

We examined the Dutchess County Jail's inmate, commissary, and inmate welfare accounts financial activity for the period January 1, 2017 to February 28, 2018. Account balances for each of the respective accounts as of February 28, 2018 were as follows:

Inmate	$ 52,523.05
Commissary	$ 10,719.84
Inmate Welfare	$ 533,673.67

- Policies and procedures were examined.
- Testing of selected receipt and disbursement transactions were conducted.
- Vendor contracts / agreements were reviewed.
- Observation of daily routine processing.
- Interviews were conducted with pertinent staff.

1 http://www.scoc.ny.gov/pdfdocs/Problematic-Jails-Report-2-2018.pdf

Summary Recommendations

Written policies and procedures should be updated and enhanced to include more detail for all processes related to the maintenance of the inmate, commissary, and inmate welfare accounts.

Duty segregation should be enhanced to ensure proper checks and balances and provide adequate oversight over transactions.

The Inmate Welfare checking account balance is excessive and should be utilized for the benefit of the inmates as dictated by New York State Law.

Accounts and Processes

Inmate Account

The Jail staff maintains a separate accounting of all money received by each inmate from the time of incarceration until the inmate is released. A computer software application is used to track the funds. Each inmate's account is updated whenever the inmate receives money. Inmate commissary purchases reduce an inmate's account for the cost of the items; this cost is inclusive of a commission and sales tax. When the inmate is released the balance of cash is returned to the inmate through a debit card or, in some cases, a check is issued.

Samples of inmate account transactions were reviewed which included booking receipts, commissary purchases, and the release of funds through debit cards. Sample testing of inmate receipts to bank deposits found no discrepancies. Funds were deposited within two days of receipt. Kiosk and online deposits were electronic and occurred immediately. Detailed deposit reports were generated and matched to original receipt and bank deposit. No discrepancies were noted. Vendor software inmate balance report was reconciled to bank balance.

Findings:

- Written procedures for the handling of funds for the inmate account are out of date and do not reflect the current practices.
- Duties are not fully segregated; the same individual prepares the deposit, disburses funds, and reconciles the bank account.
- The Jail Director of Budget and Finance does not reconcile the checking accounts.
- No cash discrepencies were discovered.

Recommendations:

- Written procedures detailing the job duties and responsibilities for the inmate account should be updated and periodically reviewed. They should include proper checks and balances, enhanced duty segregation, and stronger oversight.

Commissary/Commissary Account

In compliance with the *New York Codes, Rules & Regulations 7016.1 Commissary (Exhibit I),* a commissary is maintained.

Detailed policies and procedures for the "Commissary Procedures" were received for audit review. (Dutchess County Sheriff's Office Correction Division "*Policies and Procedures*" Effective Date 5/24/2001 Revised 3/9/2018.)

The commissary vendor is selected through a bid process. Personal hygiene products, food, snacks and general merchandise items are available for sale. Indigent inmates are provided selected products weekly. In accordance with the regulations, prices and items are reviewed by the designated Corrections staff.

The vendor operates a kiosk where inmates order items through a software program. Once the orders have been placed, the cost of each inmate's order is deducted from their individual account and items are delivered the next day.

Deposits:

Weekly, the vendor sends a commission check (28% of sales) to the Sheriff's Office along with a sales and commission report for that week. Commissions from haircuts received from the jail barber of 50¢ a haircut are also deposited into this account.

Deposits in 2017 totaled $191,430 from commissions.

Disbursements:

Monthly, an account clerk writes out a check payable to the Inmate Welfare Account consisting of the total commissions earned and deposited for that month. As of February 28, 2018 a balance of $10,719.84 remained in this account which accounted for sales and haircut commissions for February 2018.

Observations:

There were no disbursements made from this account to the Inmate Welfare account in April 2017. Additionally, in March 2017 a weekly commission check from the vendor in the amount of $3,956 was not received at the Sheriff's Office. Jail staff explained that they delayed disbursement from the Commissary account to the Inmate Welfare account as they awaited reconciliation of these missing funds. The vendor noted the check was lost and issued another check to the Sheriff's Office in June 2017. The March and April commission checks were deposited in May.

A disbursement check payable to the Inmate Welfare account in the amount of $19,521 (May 2017 commissions) was sent to a vendor in error. The vendor was able to cash the check. Once discovered by the staff at the Jail's Business Office, the vendor returned the funds. This was deposited in September 2017.

Findings:

- Duties are not segregated; the same individual receives checks, prepares the deposit, disburses funds and reconciles the bank account.
- The Jail Director of Budget and Finance does not reconcile the account and other supervisory reviews were not evident.
- Errors and anomalies are reported and resolved in a timely manner.
- No cash discrepencies were discovered.

Recommendations:

- Duties should be properly segregated and oversight by the Jail Director of Budget and Finance and management should be evident.
- Procedures should be updated to include enhanced duty segregation and stronger oversight.

Inmate Welfare Account

In accordance with *New York Codes, Rules & Regulations 7016.1 Commissary*, a separate bank account is maintained.

This account contains the proceeds from commissions and is to be used for the welfare of inmates. As of February 28, 2018 the available account balance was $533,674. A review of the activity from 2016 through 2018 was performed. Typically, three staff members perform duties related to this account. One individual prepares deposits, another writes checks, and a third individual reconciles the bank account.

Deposits:

Deposits are received via check written from the commissary account, which is based on reported commissions from the commissary vendor. A total of $195,531 was deposited into the account in 2017 representing commissions earned.

During the audit time period reviewed, one bank account was closed and funds were transferred to another account at a different bank. When questioned, Jail staff explained that the original bank was charging multiple fees and the new bank would not be charging fees. We determined that the new bank does not charge fees.

Findings:

- In two instances the individual normally responsible for writing checks was not the one to do so. In coordination with the County's Department of Finance, the Jail's Director of Budget and Finance wrote and signed two checks: one for $200,000 in October 2017 and the other for $293,591.53 in February 2018 transferring funds to the new account.
- There were no written policies or procedures for check signing thresholds.

Recommendations:

- Check signing thresholds should be established requiring two signatures above a specified amount.

Disbursements:

The Jail's Business Office provided a detail of disbursements from the Inmate Welfare account by category for 2016 - 2018.

	2016	2017	2018 (thru 2/28/18)
Equipment	$7,476.96	$4,728.53	$388.84
Entertainment (tvs, game systems, newspapers)	18,677.83	16,454.70	2,586.06
Work Program/Supplies	8,905.03	6,759.12	2,520.53
Program / Education	26,261.34	26,837.47	2,713.48
Supplies/Other	2,175.51	729.10	1,127.80
Clothing	6,539.62	4,584.39	
Food	426.02	1,285.87	75.76
Totals	$70,462.31	$61,379.18	$9,412.47

New York Codes, Rules & Regulations state the spending of profits from commissary sales is limited to "the purpose of prisoner welfare and rehabilitation." There were no written guidelines available at the Jail or recommendations from New York State Commission of Corrections.

Disbursements Sampled and Observations:

- An employee training session and travel expense was paid through this account. *Jail staff stated this training session was verbally approved by the NYSCOC.*
- Lunch receipts for the inmate work program meals. *Receipts were compared to the disbursement. The vendor receipt was less than the check amount and it was also noted sales tax was paid to the vendor.*
- The April 2017 deposit was late. The staff noted there was a discrepancy with the deposit which delayed the deposit into the next month.

Commentary:

- The Jail staff stated the NYSCOC offers no written guidance as to what types of items can be purchased. The Jail staff stated they receive verbal approval for questionable purchases from NYSCOC.
- The balance of $533,674 in this account is excessive considering an average of $16,000 a month has been deposited and available for inmate welfare.

Recommendations:

- The Jail should continue to make acceptable purchases and begin to use the accumulated funds for the benefit of the prisoners. This excessive bank balance is not being used for its intended purpose and therefore depriving the prisoners of their earned benefits.

Review and Comment on New York State Commission of Corrections Findings

The NYSCOC's report findings included the following:

Finding Regarding Purchases: *"the facility improperly used commissary profits to purchase items/services that did not benefit the welfare and rehabilitation of inmates, as required."*

Comptroller's Response - There are no clear definitions detailing what can and cannot specifically be purchased using the profits. The State Commission spokesperson indicated "it must be reasonable." It appears there are differing opinions on what is considered "reasonable" and therefore our office cannot definitively agree or disagree with the NYSCOC's finding. This finding was deemed "closed" in May 2018 by the NYSCOC.

Finding Regarding Audit: *"the facility could not demonstrate that periodic audits of the commissary program had been completed, as required."*

Comptroller's Response - The prior Comptroller did not conduct periodic audits of the commissary account as required by by 9CRR-NY 7016.1NY-CRR 9(d).

EXHIBIT I

9 CRR-NY 7016.1 NY-CRR

OFFICIAL COMPILATION OF CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK
TITLE 9. EXECUTIVE DEPARTMENT
SUBTITLE AA. STATE COMMISSION OF CORRECTION
CHAPTER I. MINIMUM STANDARDS AND REGULATIONS FOR MANAGEMENT OF COUNTY JAILS AND PENITENTIARIES
SUBCHAPTER A. MINIMUM STANDARDS AND REGULATIONS
PART 7016. COMMISSARY AND INMATE ACCOUNTS

7016.1 Commissary.

(a) In the discretion of the sheriff or chief administrative officer, a commissary may be established, maintained and operated for the purpose of making available, for sale to prisoners, items deemed proper by such officials and consistent with the health and welfare of the prisoners and the security and general operation of the facility concerned.

(b) 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.

(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.

(d) Commissary accounts shall be maintained in a manner which will fully substantiate all purchases, sales and expenditures, and definite arrangements shall be made for periodic audit of the commissary accounts by the office of county auditor, county treasurer or other county officer in a similar capacity.

(e) Nothing in this section shall be construed as exempting commissary operations in a county jail or a county penitentiary from compliance with the provisions of any applicable county or State statute, resolution, rule, regulation, etc.

Dutchess County Sheriff's Office

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June 29, 2018

Dutchess County Comptroller's Office
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Attention: Robin L. Lois, Comptroller

The Dutchess County Jail requested a financial audit from the Dutchess County Comptroller's Office of the jail's three (3) inmate accounts in the early part of 2018 in compliance with New York State Commission of Correction (NYSCOC) Commissary, Section 7016. Responses and concerns are noted below.

General Recommendations:

The Dutchess County Jail agrees that our policies and procedures should be updated and enhanced to include proper checks and balances and adequate oversight over transactions.

Even though it appears that the inmate welfare checking account is "excessive" the jail administration will continue to make acceptable purchases for the benefit of the prisoners as approved by New York State Commission of Correction (NYSCOC).

Accounts and Processes:

Inmate Account
No financial discrepancies were noted. We agree to update our policies and procedures that will include a more detailed description of job duties, responsibilities, proper checks and balances and adequate oversight for this account.

Commissary Account
No financial discrepancies were found in this account. In order to ensure proper accountability, procedures will be updated to include enhanced duty segregation and stronger oversight.

"TAKING PRIDE IN DUTCHESS COUNTY"

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Inmate Welfare Account

No financial discrepancies were found in this account. At the recommendation of the Comptroller's Office, our policies and procedures will be updated to include two (2) authorized signatures for any checks in the amount of $10,000 or greater.

The Dutchess County Jail will continue to make acceptable purchases for the benefit of the prisoners as approved by our governing agency, NYSCOC. Discrepancies noted in this part (i.e. employee training session, lunch receipt and April 2017 deposit) are all accounted for. The Comptroller was given a copy of the NYSCOC 2017 audit which emphasizes the fact that questionable purchases from the inmate commissary account were approved by the NYSCOC. We strongly disagree with the Comptroller's comment that the inmate welfare account is not being used for its intended purpose and therefore depriving the inmates of their intended benefit. The County of Dutchess is not the governing body for purchases made out of the inmate welfare account and therefore, is not in a position to judge whether or not the prisoner population is being deprived of their intended benefit. The "excessive" bank balance that the Comptroller is referring to, will be used to fund additional items to benefit the welfare and rehabilitation of prisoners (i.e. tablets, educational supplies, program material, recreational supplies, enhanced inmate phone system, etc.) in the new Justice and Transition Center. The Dutchess County Jail will continue to purchase items that promote the health, welfare and rehabilitation of the prisoner population.

Review and Comments:

The Comptroller found the facility has not had periodic audits of the commissary accounts as required by NYSCOC commissary standard, section 7016. We will update our policies and procedures to reflect an audit request every two (2) years from the Dutchess County Comptroller's Office.

Respectfully,

Michael J. Walters

Colonel Michael J. Walters

"TAKING PRIDE IN DUTCHESS COUNTY"

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