

OFFICE OF THE NASSAU COUNTY COMPTROLLER



**Review of the
Nassau County Correctional Center
Commissary Operations**

July 13, 2021

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**OFFICE OF THE NASSAU COUNTY COMPTROLLER
NASSAU COUNTY CORRECTIONAL CENTER COMMISSARY OPERATIONS**

REPORT SUMMARY

WHY WE DID THIS REPORT

This audit was conducted at the request of the Nassau County Sheriff's Department to comply with NYS requirements for periodic audits of Commissary accounts. It included an operational and financial review to determine if the Commissary was operating in compliance with the minimum standards and regulations set forth by the New York State Commission of Correction ("NYSCOC") and best practices.

WHAT WE FOUND

Auditors found that a lack of written policies and procedures and continuous variations in staffing responsible for Commissary management have resulted in internal control deficiencies, weaknesses in fiscal oversight, inaccuracies in financial reporting and inefficiencies in operations. The major findings of the report include the following:

- The Correctional Center must create written policies and procedures for all functions related to the Commissary and Inmate Accounts, which were previously noted as audit issues in reports released in 2000, 2004 and 2013.
- Commissary financial statements were not accurately prepared making it difficult to determine their annual profits or losses.
- Daily operations and finances of the Commissary were found to be inefficient and technologically outdated relative to other correctional centers observed by the Auditors.
- The Correctional Center was inappropriately utilizing Inmate funds in lieu of its petty cash accounts.
- \$2.1 Million of Commissary purchases were made without utilizing competitive procurement and contracts.
- Procedural and internal control deficiencies were identified with cash disbursements and cash receipts.
- Internal control weaknesses were found with the maintenance and safeguarding of Commissary inventory.
- Insufficient control over the tracking of Inmate worker hours and the distribution of Commissary items to Inmate workers.
- The accounting system used by the Correctional Center's Commissary was found to be insufficient and unable to produce financial reports which fully substantiate all purchases, sales and expenditures as required by minimum standards.
- Profits resulting from Commissary sales are not deposited in a separate bank account as required by minimum standards.

WHAT WE RECOMMENDED

Major recommendations of the report included the following:

- Management should immediately develop and distribute written policies and procedures for all Commissary and Inmate Accounts functions.
- The Correctional Center should accurately calculate, document and record the operating expenses of the Commissary and prepare monthly Profit & Loss Statements on a timely basis.



**OFFICE OF THE NASSAU COUNTY COMPTROLLER
NASSAU COUNTY CORRECTIONAL CENTER COMMISSARY OPERATIONS**

REPORT SUMMARY

WHAT WE RECOMMENDED (CONTINUED)

- Perform an internal study to investigate potential alternatives to increase the Commissary's efficiency, profitability and implementation of technological advancements.
- Immediately cease the current practice of utilizing Inmate funds in lieu of Petty Cash.
- The Correctional Center should follow the Nassau County Procurement Policy and utilize the services of the Nassau County Office of Purchasing for all vendor selection processes to promote increased competition amongst vendors to obtain quality goods/services at the lowest price with consistent terms.
- Formal written policies and procedures need to be created to detail the cash disbursement and cash receipts processes and establish a multitude of internal controls.
- Establish policies and procedures for maintaining and reconciling Commissary inventory and perform monthly inventory physical counts and reconciliations.
- Timesheets and work logs should be utilized to track the days and hours inmates worked in the Commissary. Commissary items received by inmate workers as allowances for their services should be properly accounted for.
- Management should investigate if the newly implemented IMACS system can be upgraded to include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics and analytical data to help Correctional Center management efficiently run the Commissary. If that is not possible, management should work with the Nassau County Office of Information Technology to acquire or develop a new system.
- As required by minimum standards, a separate bank account should be established to ensure there is no co-mingling of funds.

WHAT WAS THE RESPONSE?

The Sheriff's Department/Nassau County Correctional Center has agreed with most of the Comptroller's recommendations and appears to be in the process of undertaking appropriate corrective actions. Standard Operating Policies and Procedures (SOPs) are being created which should address the majority of the internal control weaknesses detailed throughout the audit.

WHY IS THIS REPORT IMPORTANT?

Periodic audits of the Commissary accounts are required by the New York State Commission of Correction. This audit offers a variety of significant recommendations which can serve as a corrective action plan for the current Correctional Center administration to increase the efficiency of the Commissary, bring it into compliance with NYSCOC minimum standards and protect the Commissary from potential waste, fraud and abuse.

Executive Summary

Purpose

This audit was conducted at the request of the former Nassau County Sheriff to comply with NYS requirements for periodic audits of the Commissary accounts. It included an operational and financial review to determine if the Commissary was operating in compliance with the minimum standards and regulations set forth by the New York State Commission of Correction (“NYSCOC”) and best practices.

The specific objectives of the audit were to determine if:

- The prices for the items offered at the Commissary meet NYSCOC minimum standards to be fixed to the extent that the Commissary operation will be self-supporting and will provide a modest return above cost;
- The profits from Commissary sales are deposited into a separate bank account and if profits are utilized for the purposes of prisoner welfare and rehabilitation; and
- Financial controls relative to the commissary's procurement, cash receipts, cash disbursements and bank accounts are functioning properly.

Introduction:

The Nassau County Correctional Center (“Correctional Center”) operates a commissary (“Commissary”) for the purpose of offering items for sale to inmates. These include snack foods, beverages, candy, stationery and writing materials, international calling cards, toiletries and clothing items. Gross Commissary sales from 2017-2019 amounted to \$3,255,759, exceeding \$1 million per year during the first two full calendar years covered by this audit.

In accordance with the Standards of the New York State Commission of Correction (“NYSCOC”), prices are established by the Nassau County Sheriff “...to the extent that the commissary operation will be self-supporting and will provide a modest return above cost.”¹ The NYSCOC requires that Commissary profits only be used for purposes of inmate welfare and rehabilitation.

The Summary of Findings and Recommendations as a result of this audit can be found on the next page.

¹ 9 NYCRR § 7016.1 (b).

Executive Summary

Summary of Audit Findings and Recommendations		
#	Audit Finding	Audit Recommendation(s)
1	The Correctional Center was Unable to Determine the Commissary's Operating Expenses	<p>We recommend Correctional Center management:</p> <ul style="list-style-type: none"> a) accurately calculate, document and record the operating expenses of the Commissary (e.g. staff compensation); and b) establish an official written agreement which stipulates the process of transferring Commissary funds to cover the Commissary's operating expenses.
2	Commissary Profit & Loss Statements Were Not Accurately Prepared	<p>We recommend the Correctional Center:</p> <ul style="list-style-type: none"> a) prepare accurate monthly Profit & Loss Statements to determine if the Commissary is self-supporting; b) prepare monthly Profit & Loss Statements on a timely basis; and c) require all monthly Profit & Loss Statements to be signed and dated by the preparer and undergo documented supervisory review.
3	Procedures Used for the Daily Operations at the Nassau County Commissary Need Improvement	<p>We recommend Nassau County Correctional Center management:</p> <ul style="list-style-type: none"> a) reinstate the practice of utilizing civilian workers to help decrease the direct payroll costs associated with operating the Commissary; b) review the current operations of their Commissary and perform an internal study to investigate potential alternatives which can be implemented in Nassau County to increase the Commissary's efficiency and profitability. The long-term effects of such alternatives should be considered. Such study should include, but not be limited to, the following: <ul style="list-style-type: none"> i. contact neighboring counties and similar operating facilities to discuss their commissary's daily operations and overall performance to gain insight into potential alternatives/improvements which can be made to Nassau's current daily operations; and ii. investigate the potential pros/cons of obtaining and implementing technological advancements or the use of outside assistance to assist with daily Commissary operations.
4	Inmate Funds were Inappropriately Utilized Instead of Authorized Petty Cash Accounts	<p>We recommend that the management of the Correctional Center:</p> <ul style="list-style-type: none"> a) Immediately cease the current practice of utilizing inmate money for officer travel/petty cash expenses and use the appropriate pre-existing petty cash fund; b) Create and disseminate policies and procedures for the internal use of established petty cash funds in accordance with the Nassau County Comptroller's Control Directive 1: Petty Cash Accounts (Appendix B); c) Determine if an increase in established petty cash fund balances is necessary. If so, proceed to have the maximum balances adjusted through proper County approval; d) Require detailed logs be maintained for the proper tracking of all petty cash transactions. These logs should include the following: <ul style="list-style-type: none"> i. name and title of employee who received petty cash; ii. date and amount of petty cash funds initially disbursed; iii. the reason/purpose for the funds; iv. date and amount when unspent funds were returned; v. date and amount submitted for reimbursement; and vi. date and amount of reimbursement received. e) Utilize the existing County contract for travel services, which allows the vendor to directly arrange and purchase travel arrangements for those employees in the Department who seek reimbursement directly from the County*; f) Utilize the exception to the meal reimbursement policy, which authorizes law enforcement, including employees of the Sheriff's Department, to receive meal reimbursement for meals purchased for an inmate(s) that they are transporting regardless if the meal is purchased in, or outside the County*; g) Consistent with prior approvals given by the Office of Management and Budget and the County Comptroller's Office, permit employees to use petty cash for E-ZPass, gas or inmate meals*; and h) Utilize E-ZPasses supplied to them*. <p>*Auditors have been informed that the Claim's Division and Counsel within the Office of the Nassau County Comptroller has been working with the Office of the County Executive and the Sheriff's Department on solutions to a number of identified issues concerning travel expenses.</p>

Executive Summary

Summary of Audit Findings and Recommendations		
#	Audit Finding	Audit Recommendation(s)
5	Almost \$14,000 in Avoidable Bank Fees were Charged Against the Inmate Account	We recommend the Correctional Center adequately protect inmate funds and consult with the Nassau County Treasurer's Office to avoid being charged any future banking fees.
6	A \$7,077 Error Has Remained Unreconciled and Still Present On The Correctional Center's Books Since 2011	We recommend the Inmate Accounts Unit write off this adjusting entry by transferring profits from the Commissary bank account to the Inmate Account bank account to rectify the issue.
7	\$2.1 Million of Commissary Purchases Were Made Without Utilizing Competitive Procurement and Contracts	<p>We recommend the Correctional Center:</p> <ul style="list-style-type: none"> a) follow the Nassau County Procurement Policy; and b) utilize the services of the Nassau County Office of Purchasing for all vendor selection processes to promote increased competition amongst vendors to obtain quality goods/services at the lowest price with consistent terms.
8	Cash Disbursement Procedural and Internal Control Weaknesses Were Identified	<p>We recommend:</p> <ul style="list-style-type: none"> a) Formal written policies/procedures be created to detail the cash disbursement process; b) Standardized written requisitions be created and utilized to request the purchase and document the approval of Commissary resale items; c) The Correctional Center require all supporting documentation and accounting system data to identify whether an expense is for a Commissary operational cost (i.e. buying items to resell at the Commissary) or for a Commissary profit expense for purposes of prisoner welfare and rehabilitation; d) Written requests should be maintained and stored with the subsequently created purchase order; e) The Correctional Center establish procedures for Correctional Center staff to date and sign shipping invoices or shipping documents upon receipt of delivered items and also to note any deficiencies and any other comments that may be relevant to paying the invoice; f) A modern accounting system, such as an off-the-shelf accounting software program like QuickBooks, be implemented for the initiating, tracking and recording of all Commissary purchases; g) Segregation of duties should be maintained by not allowing the same individual who orders items be the same individual who processes payment for orders; h) Payment should only be made to vendors upon the delivery of goods and receipt of an identifying vendor invoice; and i) All disbursements are reviewed, approved and dated by a supervisor before payments are processed.

Executive Summary

Summary of Audit Findings and Recommendations		
#	Audit Finding	Audit Recommendation(s)
9	Numerous Internal Control Deficiencies Were Identified with the Collection, Processing, Reporting and Depositing of Daily Cash Receipts	<p>We recommend Correctional Center management:</p> <ul style="list-style-type: none"> a) Establish a standardized close of business time that is uniformly used throughout the Correctional Center. This close of business should coincide with the daily close of business used in the Correctional Center’s accounting system; <ul style="list-style-type: none"> i. All manually prepared daily cash reports and reconciliations should be performed in accordance with this close of business to allow for uniform comparison of daily activity; ii. All daily accounting system generated reports should fully substantiate and agree with all manually prepared reconciliations and each individual inmate’s account balance. b) Implement cash control policies and procedures in accordance with the Comptroller’s Control Directive 3: Cash Receipts (Appendix C); c) Require documented Supervisory review of the cash receipts process from collection to deposit; d) Require any discrepancies identified with the daily cash collected from all locations to be fully documented and brought to the attention of a Supervisor. Any adjustments made to any balances in the accounting system should require Supervisor approval prior to making the adjustment; e) Require all cash receipts to be deposited in the same form as collected as required by the New York State Comptroller and in no instance less frequently than once a week as set forth in the Nassau County Comptroller’s Directive 3: Cash Receipts (Appendix C); f) Establish daily opening/closing balances that each Inmate Accounts cash drawer is required to maintain; g) Require the Inmate Accounts staff and a Supervisor to recount each other’s cash drawer at the close of business each day and document their recount by signing/dating the sheet. Any noted differences must be investigated and documented. If an Inmate Accounts employee is absent, another Correctional Center staff member must recount and verify their cash drawer and daily reports to maintain a proper segregation of duties; h) Any unreconcilable amounts found in either cash drawer should be investigated by a Supervisor. Those deemed unreconcilable should be written off with management’s approval; and i) Investigate the \$436 difference discovered between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS) to determine why a difference exists.
10	There is No Standardized Methodology Used to Determine Selling Prices for Items Sold at the Commissary	<p>We recommend the Correctional Center:</p> <ul style="list-style-type: none"> a) establish a standardized method, in accordance with minimum standards, to determine the prices for items sold at the Commissary; and b) begin tracking statistical data for Commissary operations so data analytics can be utilized to determine item pricing to ensure a modest profit is generated. The sales prices of items should be set at appropriate prices that will generate enough revenue to produce a modest return above cost while also considering the inmates’ ability to pay.

Executive Summary

Summary of Audit Findings and Recommendations

#	Audit Finding	Audit Recommendation(s)
11	There are Weaknesses in the Manner in Which the Commissary Inventory is Maintained and Safeguarded	<p>We recommend:</p> <p>a) The Correctional Center establish policies and procedures for maintaining and reconciling Commissary inventory;</p> <p>b) Commissary items taken for inmate worker allowances should be properly accounted for to reduce Commissary inventory;</p> <p>c) Commissary staff perform regular (i.e. monthly) inventory reconciliations to verify that the quantity of items listed in their computer system agrees with the physical inventory present within the Commissary. Any discrepancies found during the inventory reconciliation process should be recorded, investigated, and reported to the Commissary's supervising Officers;</p> <p>d) Correctional Center management create policies and procedures for handling the donation and/or disposal of unsaleable Commissary inventory; and</p> <p>e) Commissary inventory reported at any non-functioning Correctional Center locations should be further investigated and rectified to generate accurate monetary values for profit and loss statement analysis.</p>
12	Indigent Inmate Items were Not Purchased in Accordance with Minimum Standards and were Not Maintained Separately from Saleable Commissary Items	<p>We recommend:</p> <p>a) Items given to indigent inmates should be purchased at facility expense as required by NYSCOC minimum standards;</p> <p>b) Correctional Center management create a policy requiring the inventory of indigent items to be maintained separately from the saleable Commissary items to strengthen inventory controls and obtain greater oversight of items which are given to inmates for free; and</p> <p>c) The Correctional Center's return address be pre-printed on all Commissary and indigent envelopes to prevent potential pilferage.</p>
13	There is Insufficient Control Over the Tracking of Inmate Worker Hours and Disbursement of Commissary Items to Inmate Workers	<p>We recommend:</p> <p>a) Timesheets and work logs be utilized to track the days and hours inmates worked in the Commissary;</p> <p>b) Correctional Center management overseeing the Commissary's operations communicate with staff to prevent any further misunderstandings or operational inconsistencies;</p> <p>c) Commissary items received by inmate worker allowances be properly accounted for by entering such items into the Commissary's computer system to reduce Commissary inventory; and</p> <p>d) All Inmate Exchange Forms utilized to track Commissary inmate worker allowance orders should be properly completed and dated.</p>
14	The Correctional Center Has Failed to Create Written Policies and Procedures for Commissary and Inmate Accounts Operations Which Has Been Previously Noted as Audit Issues in Reports Released in 2000, 2004 and 2013	<p>We recommend the Nassau County Correctional Center management immediately develop and distribute to the staff written policies and procedures for all Commissary and Inmate Accounts functions including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Collection and Recording of Inmate Money; • Processing of Cash Receipts; • Procurement/Purchasing; • Cash Disbursements; • Allocation of Staff Payroll as a Commissary Expense; • Inmate Commissary Workers; • Processing and Distribution of Inmate Commissary Orders; • Inventory Management and Reconciliation of Commissary Items; • Fixed Assets Management for Purchases Made with Commissary Profits; • Profit and Loss Statement Preparation and Analysis; and • Bank Reconciliations.

Executive Summary

Summary of Audit Findings and Recommendations

#	Audit Finding	Audit Recommendation(s)
15	The Correctional Center's Antiquated Accounting System Lacks Key Commissary Cost Reporting and Analytical Capabilities for Management Oversight	We recommend: a) Correctional Center management investigate if the newly implemented IMACS system can be upgraded to include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics and analytical data to help Correctional Center management efficiently run the Commissary. b) If "recommendation a" above is not possible, the Correctional Center should work with the Nassau County Office of Information Technology to replace the Inmate Tracking System (JCON) with a new accounting system that complies with New York State regulations to fully substantiate all Commissary purchases, sales and expenditures. The possibility for use of an off-the-shelf accounting software package should be investigated.
16	Profits Resulting from Commissary Sales are Not Deposited in a Separate Bank Account as Required by Minimum Standards	We recommend that the Nassau County Correctional Center open a new bank account to solely account for the profits resulting from the Commissary's activities as required by NYSCOC minimum standards to ensure there is no co-mingling of the Commissary operation funds and Commissary profits. All previously identified profits which have not yet been spent on prisoner welfare and rehabilitation should be transferred into this new bank account.
17	Counterfeit Money Detection Safeguards Are Not Being Utilized at the Initial Point of Cash Collection	We recommend that the Correctional Center: a) provide Corrections Officers with counterfeit money detection machines at all locations where money is received; and b) analyze all money upon receipt to determine if any bills are counterfeit, prior to the collection and booking of funds to an inmate's account.

The matters covered in this report have been discussed with the officials of the Sheriff's Department/Nassau County Correctional Center. On March 18, 2021 we submitted a draft report to the Sheriff's Department/Nassau County Correctional Center for their review. An Exit Conference was held on April 6, 2021. The Sheriff's Department/Nassau County Correctional Center provided their response on May 21, 2021. Their response and our follow up to their response are included at the end of this report.

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Introduction

Background

According to the minimum standards and regulations of the New York State Commission of Correction (“NYSCOC”), “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.”²

The Nassau County Correctional Center (“Correctional Center”) operates a commissary (“Commissary”) which offers items for sale to the approximate 1,100 inmates housed in the Correctional Center during the audit period.³ Around 75% of the inmate population places a weekly Commissary order.

The Nassau County Correctional Center is located on Carmen Avenue in East Meadow, NY. The Correctional Center consists of two main inmate housing facilities, which are further sub-divided into multiple buildings. The Commissary operates from one location on the 2nd floor of the E Building and distributes items to all housing units throughout the Correctional Center⁴. Staff at the Correctional Center’s Commissary, Inmate Accounts Unit and Budget & Finance Unit all play an integral role in the Commissary’s operations:

- Five Correction Officers work directly at the Commissary to facilitate the ordering and fulfillment of inmate Commissary orders (along with the assistance of three to four inmate workers);
- The Inmate Accounts Unit (consisting of one Correction Officer and one Accountant I) handles the depositing and accounting of inmate money, placement of inventory orders with Commissary vendors, payment of those vendors, and the bookkeeping of the Commissary’s daily operations; and
- One Accountant II from the Budget & Finance Unit performs the bank reconciliations for Commissary operations and the preparation of Profit & Loss Statements.

Items sold at the Commissary include snack foods, beverages, candy, stationery and writing materials, international calling cards, toiletries and clothing items. In accordance with the NYSCOC’s minimum standards, “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.”⁵

² 9 NYCRR § 7016.1 (a).

³ As of July 2020, the inmate population has decreased to approximately 560 due to bail reform and coronavirus concerns.

⁴ The Commissary previously operated from and maintained inventory in two separate points of distribution based on inmate housing locations. The larger distribution site was in the E Building (“832 Building”), whereas the smaller distribution site was in the D Building (“Core”). These two separate locations have since been consolidated to only the E Building.

⁵ 9 NYCRR § 7016.1 (b).

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Gross Commissary sales from 2017-2019 amounted to \$3,255,759 and exceeded \$1 million per year during the first two full calendar years of the audit period.

The NYSCOC minimum standards and regulations also require an institutional fund account be maintained on behalf of every inmate, into which funds received for the inmate are to be deposited.⁶ This account (“Inmate Account”) is utilized to pay the Commissary for inmate orders and postage, among other charges. The money within these accounts belongs to the inmates and is held in trust by the Correctional Center. Inmates may withdraw this money when they are released from the Correctional Center or transferred to another institution.

Funds in this account consist of cash held for inmates during their initial booking and money that is later received for deposit on behalf of the inmates. Money is collected at five (5) different locations at the Correctional Center.

- 1) Admit & Discharge (“A&D Desk”): money collected from inmates upon initial admission to the Correctional Center;
- 2) A Building: money collected for bail or Inmate Account deposit;
- 3) D Building: money collected from visitors for Inmate Account deposit prior to visitation at the D Building;
- 4) E Building: money collected from visitors for Inmate Account deposit prior to visitation at the E Building; and
- 5) Mail Room: money collected for Inmate account deposit received via mail.

Acceptable forms of receipts for deposit consist of money order, certified check or cash (no personal checks or law firm checks are accepted). Inmate account balances can range anywhere from zero dollars to thousands of dollars, depending on what is deposited into each individual inmate’s account.

The NYSCOC requires 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.”⁷ The profits from Commissary sales are kept in a checking account (“Inmate Exchange Account”) that is not recorded in the County’s accounting system⁸ but instead is managed internally by the Correctional Center rather than by the County Treasurer’s Office.⁹

The NYSCOC’s minimum standards require the Commissary accounts 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

⁶ 9 NYCRR § 7016.2 (a).

⁷ 9 NYCRR § 7016.1 (c).

⁸ The Nassau Integrated Financial System (“NIFS”) is the financial accounting system used by Nassau County.

⁹ “Non-NIFS bank accounts” are bank accounts which contain funds which do not belong to the County for budget and operational purposes. The collection and disbursement of funds are maintained internally by a County department instead of by the County Treasurer’s Office.

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Treasurer or other County officer in a similar capacity.¹⁰ Accordingly, **the former Nassau County Sheriff submitted a letter to the Nassau County Comptroller on April 25, 2019, “...formally requesting that [the Comptroller’s Office] schedule to conduct the required periodic audit of the Correctional Center commissary account at your earliest convenience.” This audit was initiated to comply with both the former Sheriff’s request and the NYSCOC’s minimum standards.**

Prior Audits

The Nassau County Comptroller has performed audits of the Correctional Center’s Commissary in the past. The most recent report was released in 2013 and covered the period of 2010-2011¹¹. Amongst its findings, the report noted the following issues:

- The Correctional Center was unable to provide any written procedures or manuals for disbursements, revenue collection, reconciliation processes, and the distribution of free Commissary goods to inmate workers.
- The Commissary understated their operating costs and overstated their profits, which resulted in yearly losses and over expending of funds;
- The Commissary circumvented County procurement policy which resulted in increased costs;
- Correctional Center bank transfers to cover actual Commissary worker salaries were insufficient;
- No official written Memorandum of Understanding for salary allocations existed;
- Questionable spending for prisoner welfare and rehabilitation;
- The Correctional Center’s accounting system is antiquated and lacks key Commissary cost reporting capabilities;
- The Commissary disbursement process lacked standard control procedures, which increased the risk of overpayments to vendors;
- Segregation of duties for cash receipts, purchases, and disbursements was inadequate;
- Internal Control weaknesses regarding disbursement authorization and bank reconciliations;
- Insufficient control over the distribution of free Commissary goods; and

¹⁰ 9 NYCRR § 7016.1 (d).

¹¹ Audit of the Nassau County Correctional Center Commissary Operations – Released December 20, 2013.
https://www.nassaucountyny.gov/DocumentCenter/View/3883/CC_CommissaryReport-12-20-13?bidId=

Introduction

- Commissary employees were not recording their overtime as required and time records were not maintained for inmate workers assisting in the Commissary.

Audit Scope, Objectives and Methodology

The audit scope covered Commissary operations from January 1, 2017 through March 2020. The audit was conducted at the request of the former Nassau County Sheriff to comply with NYS requirements for periodic audits of the Commissary accounts. It included an operational and financial review to determine if the Commissary was operating in compliance with the minimum standards and regulations set forth by the New York State Commission of Correction (“NYSCOC”) and best practices.

The specific objectives of the audit were to determine if:

- The prices for the items offered at the Commissary meet NYSCOC minimum standards to be fixed to the extent that the Commissary operation will be self-supporting and will provide a modest return above cost;
- The profits from Commissary sales are deposited into a separate bank account and if profits are utilized for the purposes of prisoner welfare and rehabilitation; and
- Financial controls relative to the Commissary's procurement, cash receipts, cash disbursements and bank accounts are functioning properly.

To achieve our objectives, Auditors:

- Interviewed key personnel to obtain an understanding of their roles and responsibilities within the Commissary, attempted to obtain any policies and procedures relative to the operations of the Commissary and performed walkthrough observations of Commissary operations including procurement, receipt and stocking of inventory, inventory control, distribution of inventory, cash receipts, cash disbursements, bank reconciliations and overall management oversight;
- Analyzed Commissary operational costs to determine if the prices for the items offered at the Commissary meet NYSCOC minimum standards to be fixed to the extent that the Commissary operation will be self-supporting and will provide a modest return above cost;
- Examined the Commissary’s procurement process and tested a selection of Commissary Account disbursements for both Commissary goods and the welfare and rehabilitation of inmates; and
- Analyzed Commissary Account and Inmate Account cash receipts and bank reconciliations, reviewed supporting documentation, and examined records of the Commissary related bank accounts.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

AUDIT FINDING (1)

(1) The Correctional Center was Unable to Determine the Commissary's Operating Expenses

The majority of the operating expenses for the Commissary consist of the actual salaries and wages paid to all workers involved in the day-to-day operations of the Commissary. Correctional Center staff was unable to provide Auditors with the salaries and wages paid to all workers involved in operating the Commissary during the scope of the audit. Therefore, Correctional Center staff were unable to determine the Commissary's operating expenses.

Auditors attempted to calculate the actual operating expenses from 2017 to 2019; however, were unable to make this calculation because the Commissary did not maintain adequate records to substantiate its personnel costs. Furthermore, the number, type of worker (Correction Officer or civilian worker), and actual employees that directly worked at the Commissary during the scope of the audit changed year-to-year, which limited the Auditors ability to precisely recalculate such costs. (These staffing changes are later discussed in Finding 3).

Auditors discussed Commissary staffing levels during the scope of the audit with Correctional Center's management and employees from the Commissary, Inmate Accounts and Budget & Finance Units to determine which positions should be considered direct (related to the daily operations of the Commissary) or indirect (general oversight and supervision) when computing the operational expenses. The approximate percentages of time each position spent related to Commissary operations was also discussed.

Based on these discussions, Auditors conservatively estimated the total direct payroll costs of operating the Commissary to be approximately \$430,000 per year, excluding benefits. This estimate is attributed to staff at the Commissary, Inmate Accounts Unit and Budget & Finance Unit, which all play an integral role in the Commissary process, which was prorated for their time spent on Commissary operations.

- **Auditors conservatively estimated the cost of using five full-time Correction Officers for the daily operations of the Commissary to be approximately \$355,000 per year, excluding benefits¹².** Daily operations within the Commissary consisted of collecting and data entering all inmate orders, bagging and delivering orders to inmates, and restocking Commissary inventory.
- **Auditors estimated the prorated payroll cost of the Inmate Accounts and Budget & Finance Units, in relation to the daily operations of the Commissary, to be**

¹² Auditor estimates were based on five Correction Officers with base salaries of \$71,005 per year (step 5/10 of the current Correction Officer contract). Benefits were not included. It is important to note that annual salaries for Correction Officers vary greatly depending on salary step, longevity, overtime, etc. As such, our estimate is a very conservative mid-tier figure.

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approximately \$75,000 per year, excluding benefits.¹³ The Inmate Accounts Unit (consisting of one Correction Officer and one Accountant I) is responsible for the depositing and accounting of inmate money, placing and processing payment for inventory orders with vendors, and bookkeeping of the Commissary's daily operations.¹⁴ Additionally, one Accountant II from the Budget & Finance Unit performs the bank reconciliations for Commissary operations and the preparation of Profit & Loss Statements.

For analytical purposes, Auditors prepared more specific annualized estimates. Considering the above and taking precise annual staffing changes and salary prorations into consideration, Auditors conservatively estimated the direct operating expenses of the Commissary to have been approximately \$437,197 for 2017; \$407,066 for 2018, and \$240,893 for Jan – July 2019.¹⁵

Transfer of Funds to Cover Commissary Payroll Expenses:

On a quarterly basis, the Commissary transfers funds from the Commissary's Inmate Exchange Account to the Correctional Center's General Fund¹⁶ as an allocation to cover expenses related to Commissary employees' salaries.¹⁷ Correctional Center staff did not provide auditors with any official written procedures regarding these transfers.

Auditors noted that from 2017-2020 the Correctional Center budgeted \$300,000 in revenue for this transfer, per year. Although \$300,000 was budgeted per year, a payroll allotment of only \$200,000 per year, or \$50,000 per quarter, has taken place during the scope of the audit. This amount has been consistently under budgeted and is also well under the Auditors' annual \$430,000 in estimated direct payroll costs related to the operations of the Commissary.

NYSCOC minimum standards state that, "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."¹⁸

¹³ Prorated salaries for the two Inmate Accounts Unit workers were \$55,020 for 2019. The prorated salary for the one Budget & Finance employee was \$20,337 in 2019. The combined 2019 salaries totaled \$75,357. Benefits were not included.

¹⁴ Personnel changes also took place during the scope of the audit in the Inmate Accounts Unit. However, general staffing of the Unit was always one Accountant I and one Correction Officer.

¹⁵ Auditors calculated estimated Commissary operational payroll expenses by prorating the actual total amounts paid to staff from the Commissary, Inmate Accounts and Budget & Finance Units as reported on annual Form W-2s. Since Correction Officer assignment to the Commissary routinely fluctuated, Auditors utilized a base salary of \$71,005 (Step 5 of 10 on the current Correction Officer salary schedule) for all salary estimates of Correction Officer assigned to the Commissary. Benefits, longevity, and overtime were not included in our estimates. Nassau County Commissary financial information was only available up to July 2019.

¹⁶ These transactions are recorded in the Correctional Center's Rehabilitation Unit, under "Org Activity Income."

¹⁷ 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.

¹⁸ 9 NYCRR § 7016.1 (b).

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Audit Recommendations:

We recommend Correctional Center management:

- a) accurately calculate, document and record the operating expenses of the Commissary (e.g. staff compensation); and
- b) establish an official written agreement which stipulates the process of transferring Commissary funds to cover the Commissary's operating expenses.

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AUDIT FINDING (2)

(2) Commissary Profit & Loss Statements Were Not Accurately Prepared

Auditor review of the operating records of the Commissary identified inaccuracies on the Commissary's Profit & Loss Statements. This affected the computation of the Commissary's net operating profits/losses and limited management's ability to make responsible decisions. Standards require that profits generated by the Commissary shall be used for the purposes of prisoner welfare and rehabilitation.

Auditor review of the Commissary's Profit & Loss Statements identified the following issues which are further discussed below by topic:

- The Commissary was found not to be self-supporting;
- The operating expenses listed on the Profit & Loss Statements were inaccurate and underreported;
- 2018 purchases were understated by \$11,815;
- Profit & Loss Statements were not prepared timely; and
- Profit & Loss Statements were not signed by the preparer and reviewer.

The Commissary is in effect a stand-alone convenience store that is operated within the walls of the Correctional Center. When taking all the issues noted above into consideration, Auditors have found that the Profit & Loss Statements have been incorrect. As a result, Correctional Center's management has been unaware that the Commissary has most likely been operating at a loss for two of the three years under our review. This impacts management's ability to make responsible business decisions to generate enough revenues to cover their expenses and operate in a self-supporting manner.

The Commissary Was Found Not To Be Self-Supporting:

According to 9 NYCRR § 7016.1 (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."

The Profit & Loss Statements prepared by Correctional Center staff reported the Commissary had a \$92,531 profit for 2017, \$1,453 profit for 2018 and \$45,971 profit as of July 2019. However, Auditor recalculation of the Commissary's annual Profit & Loss Statements¹⁹ have found that the Commissary was operating at a net loss in 2018 and 2019.

See Exhibit I below for the Auditors recalculation of the Commissary's Profit & Loss Statements for 2017 – July 2019.

¹⁹ Auditor recalculation is based on our estimated operating expenses and correcting the purchase expense issue later outlined in this finding.

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Exhibit I

Nassau County Correctional Center Auditor Recalculated Commissary Profit & Loss Statements 2017-2019			
	2017	2018	Jan - July 2019
Total Sales	\$1,144,425	\$1,077,686	\$637,953
Opening Inventory			
A Building - Inventory	\$109	\$109	\$109
D Building - Inventory	\$65	\$65	\$65
E Building - Inventory	\$61,738	\$45,407	\$61,424
E Building - Free Goods	\$0	\$0	\$0
Total Opening Inventory	\$61,912	\$45,581	\$61,598
Purchases	\$666,726	\$728,053	\$399,287
Inventory Transfers In	\$0	\$0	\$0
Total Goods Available for Sale (1)	\$728,638	\$773,634	\$460,885
Closing Inventory			
A Building - Inventory	\$109	\$109	\$109
D Building - Inventory	\$65	\$65	\$65
E Building - Inventory	\$45,407	\$61,424	\$47,689
E Building - Free Goods	\$58,367	\$10,599	\$5,509
Total Closing Inventory	\$103,948	\$72,197	\$53,372
Inventory Transfers Out	\$0	\$0	\$0
Total Cost of Goods Sold (2)	\$624,690	\$701,437	\$407,513
Total Gross Profit (3)	\$519,735	\$376,249	\$230,440
Less Operating Expenses*	(\$437,197)	(\$407,066)	(\$240,893)
TOTAL NET PROFIT/(LOSS) (4)	\$82,538	(\$30,817)	(\$10,453)
<small>*Auditor conservative estimates of Commissary direct payroll expenses.</small>			
<small>(1) Total Goods Available for Sale = Total Opening Inventory + Purchases</small>			
<small>(2) Total Cost of Goods Sold = Total Goods Available for Sale - Total Closing Inventory</small>			
<small>(3) Total Gross Profit = Total Sales - Total Cost of Goods Sold</small>			
<small>(4) Total Net Profit = Total Gross Profit - Operating Expenses</small>			
<small>Note: All figures have been rounded to the nearest whole dollar.</small>			

The Operating Expenses listed on the Profit & Loss Statements were Inaccurate and Underreported:

Auditors found the Correctional Center inaccurately reported the operating expenses on their Profit & Loss Statements. As previously noted in Finding 1, the operating expenses for the Commissary consist of the actual salaries and wages paid to all workers involved in operating the Commissary. However, the Correctional Center inappropriately listed their operating expenses as the purchases made with the “profits” generated by the Commissary that are used for the purposes of prisoner welfare and rehabilitation²⁰.

²⁰ Per 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.” The Correctional Center internally referred to these expenses as “Disposition of Profits”.

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The purchases made with these “profits” were inaccurately reported as the Commissary’s operating expenses and were recorded as \$427,204 in 2017, \$386,611 in 2018 and \$184,469 for Jan-July 2019. As later discussed in Finding 16, the profits generated from the Commissary are not maintained in a separate bank account as required by NYSCOC minimum standards. The Correctional Center was also unable to distinguish to Auditors what expenses were made for operational costs and what expenses were made with Commissary profits for purposes of prisoner welfare and rehabilitation. As such, it is unclear if the Commissary had these “profits” to spend as it appears the Profit & Loss Statements have historically been inaccurately prepared, thus any profits claimed are most likely inaccurate.

Auditors note that it appears the Commissary’s operating expenses were underreported by approximately \$9,993 in 2017, \$20,455 in 2018 and \$56,424 from Jan-July 2019, when comparing the operating expenses inaccurately listed on the Commissary’s Profit & Loss Statements to the operating expenses estimated by the Auditors. As a result, the Commissary has reported inflated profits or decreased losses on their Profit & Loss Statements.

2018 Purchases Were Understated By \$11,815:

Upon Auditor review of the 2018 Profit & Loss Statements, purchases for August 2018 were found to have been understated by \$11,815. This understatement carried through to the total purchases for the year, affected other calculations in the Profit & Loss Statements and ultimately had a dollar-for-dollar negative impact on the final profit/loss calculation.

Profit & Loss Statements Were Not Prepared Timely:

The preparation of the Profit & Loss Statements was not routinely performed and the frequency of when these reports were created has changed over time. Only one Profit & Loss Statement was prepared for calendar year 2017, whereas from January 2018 until July 2019 Profit & Loss Statements were prepared on a monthly basis. Auditors noted that no Profit & Loss Statements had been performed from July 2019 until at least the end of Auditors’ fieldwork period in March 2020. This appeared to be a result of the Correctional Center updating its computer system in August 2019.²¹

Profit & Loss Statements Were Not Signed By The Preparer and Reviewer:

Auditor review of the Commissary’s Profit & Loss Statements found they were not signed and dated by the preparer. Similarly, the Profit & Loss Statements also did not include any written proof to indicate a formal supervisory review took place to validate their accuracy. Auditor

²¹ An Accountant II within the Correctional Center’s Budget & Finance office utilized system generated reports from the Correctional Center’s previous accounting system (Inmate Tracking System “JCON”) to manually prepare the Profit & Loss Statements for the Commissary. The new accounting system (Incarceration Management and Cost Recovery system “IMACS”) was unable to produce similar reports upon its initial implementation, and as of March 2020 had not yet been utilized to generate similar reports from August 2019 to December 2019.

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discussions with the Accountant II who prepares the documents revealed that the Profit & Loss Statements were prepared and then filed in a binder.

Audit Recommendations:

We recommend the Correctional Center:

- a) prepare accurate monthly Profit & Loss Statements to determine if the Commissary is self-supporting;
- b) prepare monthly Profit & Loss Statements on a timely basis; and
- c) require all monthly Profit & Loss Statements to be signed and dated by the preparer and undergo documented supervisory review.

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AUDIT FINDING (3)

(3) Procedures Used for the Daily Operations at the Nassau County Commissary Need Improvement

The daily operations of the Nassau County Correctional Center's Commissary consist of manually intensive procedures which utilize and substantially rely on Correctional Officers for these largely clerical functions. Auditor examination found the daily operations and finances of the Nassau County Correctional Center's Commissary to be inefficient and technologically outdated relative to other correctional centers observed by the Auditors.

Daily Operations and Finances of the Nassau County Correctional Center's Commissary:

During the scope of our audit, there were approximately 1,100 inmates housed in the Nassau County Correctional Center²². Inmates are permitted to order items from the Commissary once per week. Commissary orders have quantity limitations for the number of individual items which may be ordered and are also subject to a \$50 maximum²³ limit.

Around 75% of the inmate population places a weekly Commissary order, amounting to approximately 800 orders per week. During Auditor observations, which took place in the latter half of 2019, Commissary staff was comprised of five varying Correction Officers who worked full-time, Monday-Friday, at the Commissary. The Commissary staff also received assistance from three or four inmate workers who worked Monday-Friday for approximately six hours per day.

The Nassau County Commissary operations observed by Auditors were a manual and paper intensive process, which are mainly performed by Nassau County Correction Officers. Staffing changes over time have resulted in Correction Officers performing all data entry/processing and clerical duties related to the processing of inmate orders.

The following is a summary of the daily operations of the Nassau Commissary:

1. Friday/Saturday - Printed Inmate Exchange Forms ("Commissary Sheets") are distributed to all housing units and handed out to inmates by Correction Officers. Inmates will complete the Commissary Sheets with their contact information and Commissary order requests.
2. Saturday/Sunday - The Commissary Sheets will be collected by the Correction Officers in each housing unit and taken to the D & E Building Control Desks for pickup by Commissary staff.
3. Monday - The Commissary Sheets will be picked up by Commissary staff and brought to the Commissary to begin data processing.

²² As of July 2020, the inmate population has decreased to approximately 560 due to bail reform and coronavirus concerns.

²³ Per the Inmate Exchange Form Guidelines, "Maximum purchase is \$50.00 per week excluding International Calling Cards".

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4. Monday/Tuesday – The Inmate Accounts Unit will place orders with the Commissary’s vendors to restock the Commissary’s inventory in anticipation of future Commissary sales. Delivery of inventory will normally be scheduled for Friday.
5. Monday-Friday – Three Correction Officers within the Commissary will review each Commissary Sheet for compliance with Commissary Sheet’s Guidelines. Each acceptable Commissary Sheet will be individually data entered into the Correctional Center’s accounting system by selecting the inmate and typing in the item description and quantity of each requested item.

After an order is data entered, an Inmate Exchange Sales Receipt (“Sales Receipt”) is automatically printed on tracked two-ply carbon printer paper from a dot-matrix printer. The inmate’s name and housing unit will be written on a brown paper bag that is given to a Correction Officer, along with the Sales Receipt, to bag the order for delivery. An Inmate Worker or Correction Officer will then remove the requested items from the Commissary’s stock and bag the order. Once an order is successfully bagged, the Corrections Officer will sign the Sales Receipt and place the bagged order on a cart for delivery.

Commissary orders are delivered to inmates by Correction Officers from Monday through Friday as each housing unit’s orders are completed. The Correction Officer will sign the Inmate Sales Receipt upon delivery to the inmate who will also sign for their order when it is received.

6. Friday - Make up day for Commissary deliveries (i.e. inmates at Court who didn’t receive their orders during initial delivery, addressing of mistakes, etc.). Loading dock pickup of vendor deliveries and restocking of items in Commissary inventory. Commissary staff will contact the Correctional Center’s Inmate Accounts Unit to place orders with vendors to purchase Commissary items.

During the scope of the audit, Commissary staff consisted of varying numbers of Correction Officers and civilian workers, with a varying combination always equaling five full time workers.

- From 2017 to 2019 the number of civilian workers decreased from three to zero. One civilian worker became a Correction Officer, whereas the other two civilian workers were transferred out of the Commissary and into the Correctional Center’s Mail Room.
- From 2017 to 2019 the number of Correction Officers increased from two to five.

As of September 2019, all functions directly related to the Commissary’s daily operations, such as data entering all inmate orders, bagging orders and delivering orders to inmates, were performed by five Correction Officers.²⁴ Auditors observed that it took three Correction Officers approximately three to four days of their entire shift (plus overtime) to manually type inmate Commissary orders into the Commissary’s computer system, while two other Correction Officers bagged and delivered the orders to the inmates.

²⁴ Excluding inmate worker assistance with stocking inventory and bagging Commissary sales for weekly delivery to the inmates.

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Operational Comparison to Neighboring Counties:

Auditors visited two surrounding county's Correctional Centers to discuss their commissary's operations and the methodologies used in their day-to-day procedures for comparison with Nassau County.

- **One county facility invested in technological advancements to more efficiently operate its facility.**
- **The other county outsourced their operations to an external contractor and experienced annual profits.**

As illustrated in Exhibit II below, Nassau County's daily operations consisted of a population of inmates equal-to or greater-than their neighboring counties during the scope of the audit. However, Auditors found the overall operations at Nassau County to be less efficient than neighboring counties. Auditors noted the following inefficiencies in Nassau's operations when compared to neighboring counties:

- Correction Officer staffing at Nassau's Commissary was higher than the neighboring counties and Nassau County Correction Officers performed work that could have been performed by civilian workers (data entry, bagging inmate orders, stocking inventory, etc.);
- Nassau County's inventory reconciliations were performed on a much less frequent basis, increasing the risk for pilferage and/or waste of saleable items;
- The Nassau County Commissary offered fewer Commissary items for sale to inmates;
- the quality and volume (size) of products offered to Nassau County inmates was inferior to that offered at the other counties;
- the number of Nassau County Commissary orders processed per week were less than those of neighboring counties;
- the number of weekly Commissary orders allowed to be placed by inmates at Nassau County's Correctional Center were less; and
- weekly Commissary orders at Nassau County had a lower maximum dollar value.

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Exhibit II

Nassau County Correctional Center Summary of Operational Comparison to Neighboring Counties 2017 - 2019			
Operational Statistics	Nassau County	County 1 (F1)	County 2 (F2)
Approx. Inmate Population	1,100	1,100	865
# Commissary Staff:	Civilian Workers 2017 = 3→2 2018 = 2→1 2019 = 1→0	3	3 FT & 2 PT (F3)
	Correction Officers 2017 = 2→3 2018 = 3→4 2019 = 4→5	3	0
	Inmate Workers 3 or 4	2	1
# Commissary Items Offered for Sale	101	112	283 + 16 iCare packages sold online (F4)
Timeliness of Inventory Reconciliation	Not routinely performed	Monthly	Weekly
Approx. # of Orders Processed Per Week	800 inmate orders	1,000 - 1,200 inmate orders	780 inmate orders + 130 iCare orders
Max. # Weekly Orders Allowed per Inmate	1	2	2
\$ Max per Order	\$50 per order	\$33 per order, or \$66 per week	\$180 total per week
Notes:			
<i>(F1) The source of all information listed for County 1 was received from County 1's Asset Management group which oversees both Commissary operations and Inmate Accounts. These figures are unaudited and presented as received.</i>			
<i>(F2) The source of all information listed for County 2 was received from County 2's external contractor. These figures are unaudited and presented as received.</i>			
<i>(F3) These are all contractor workers which are paid at the contractor's expense.</i>			
<i>(F4) iCare orders consist of multiple items and are not purchased directly by inmates in the Commissary; they are purchased online by the inmate's friends/family to be delivered to the inmate. As of 1/3/2020, iCare packages ranged from \$10.49 - \$105.99 per order.</i>			

Financial Comparison to Neighboring Counties

The operational issues noted above have impacted the Commissary's financial position. As illustrated in Exhibit III below, Nassau's operations have resulted in Nassau's Commissary being in a less favorable financial position than other correctional centers observed by the Auditors.

Auditors noted the following when comparing the Nassau County Commissary's financial statistics to neighboring counties:

- Annual Commissary sales in Nassau County are lower than neighboring counties. From 2017 – July 2019²⁵, average annual sales in the other counties were 31% to 49% higher than Nassau's average annual sales;
- Nassau County did not utilize a formal calculation to produce the payroll allotment figures which are used to offset the direct operating expenses for Commissary staff, unlike County 1 which has a standardized methodology;
- Direct operating expenses at Nassau County were higher than neighboring counties, due to the greater number of Correction Officers working at the Commissary. From 2017 – July

²⁵ Nassau County Commissary financial information was only available up to July 2019. As such, the comparison to other neighboring counties has been adjusted to approximately the same timeframe and represents comparable financial data from January 2017 – July 2019.

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2019, the average operating expenses in the other counties were 16% to 100%²⁶ lower than Nassau’s average annual operating expenses;

- Nassau County’s Commissary has generated substantially less profits than neighboring counties. Based on Auditor estimates, it appears Nassau had incurred losses for two of the past three years. In comparison, neighboring County 1 made an average annual profit of \$170,237 (1,137% greater than Nassau County) and County 2 made an annual average profit of \$621,306 (4,416% greater than Nassau County).

Exhibit III

Nassau County Correctional Center Summary of Financial Comparison to Neighboring Counties 2017 - 2019				
Financial Statistics		Nassau County	County 1 (F1)	County 2 (F2)
Annual Sales:	2017	\$1,144,425	\$1,333,380	\$1,599,344
	2018	\$1,077,686	\$1,557,956	\$1,696,019
	Jan - July 2019	\$637,953	\$861,974	\$969,869
Est. Direct Operating Expense of Commissary:	2017	-\$437,197	-\$347,255	\$0
	2018	-\$407,066	-\$356,554	\$0
	Jan - July 2019	-\$240,893	-\$204,283	\$0
Commissary Payroll Allotment to Cover Direct Operating Expenses		\$200,000 per year	100% of Civilian worker salary + Commissary Correction Officer OT (benefits not included)	N/A
Profit:	2017	\$82,539	\$175,343	\$715,469
	2018	-\$30,816	\$216,720	\$758,075
	Jan - July 2019	-\$10,453	\$118,647	\$390,373
<p>Notes: All figures have been rounded to the nearest whole dollar. (F1) The source of all information listed for County 1 was received from County 1's Asset Management group which oversees both Commissary operations and Inmate Accounts. These figures are unaudited and presented as received. (F2) The source of all information listed for County 2 was received from County 2's external contractor. These figures are unaudited and presented as received.</p>				

Other Potential Methods to Manage Commissary Operations:

As noted above, the alternative methods utilized at neighboring county commissaries have resulted in increased sales revenue, lower operational costs, increased profits, and overall more efficient commissary operations. In addition, Auditors noted the other counties offered more items for sale and also had a greater number of instances per week where items can be purchased. A summary of the operations at the other county’s commissaries are outlined below:

County 1 – Utilization of Technological Advancements to Improve Inmate Order Processing

County 1 utilized machine-readable sheets²⁷ (“bubble sheets”) for inmates to place their commissary orders. Inmate will be given the bubble sheets and fill in boxes as to which items they want to purchase. The bubble sheets will be run through a scanner in the commissary, where the

²⁶ Note: The operating expenses for County 2’s vendor are paid directly from the total sales of their Commissary products. Therefore, the operating expenses are not paid directly by County 2’s operating budget. The vendor did not disclose their financial results.

²⁷ These sheets are similar to Scantron test answer sheets, where a user will fill in a box to mark their answers, which will later be scanned and read by a machine through Optical Mark Recognition (“OMR”) technology.

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orders will be digitized and placed in their computer system. The system prints out Commissary Order Receipts which are then used by commissary staff to fill the inmate's order.

Additionally, County 1 also uses electronic tablets which are mounted in certain housing units within their facility. Inmates place their commissary orders on the tablets located in their housing unit where the order will be entered into the commissary's computer system in real time. A Commissary Order Receipt will be printed in the commissary to be used by commissary staff to process the inmate's order for delivery.

There were three full time Correction Officers and three full time civilian workers designated to work at the commissary in County 1. They consider their direct payroll expenses to be the normal salary and overtime for the civilian workers and just the overtime for the Correction Officers; benefits were not included in their expenses.

If Nassau County adopted these two technological advancements, they would effectively eliminate the process of Correction Officers manually data entering inmate orders into the computer system, which should decrease the amount of time and number of Correction Officers needed to run the Commissary. Additionally, Nassau could further save on operating expenses by decreasing the number of Correction Officers assigned to the Commissary and re-establish the practice of using civilian workers. This would result in lower operating expenses.

County 2 – Outsourcing of Commissary Operations to an External Contractor

County 2 has utilized their procurement process to select an external contractor to manage all operations of their commissary for the past twenty plus years.

According to the most recent contract made available to Auditors²⁸, County 2 is responsible for providing the contractor with adequate office and storage facilities at the Correctional Center which are equipped with heat and other necessary utilities. County 2 must run cables/wires for the contractor to have appropriate systems connectivity to run its commissary operations and provide maintenance and repairs for any County-owned buildings and equipment.

The external contractor agreed to furnish all computer hardware, related equipment and software, labor, services, materials, tools, equipment and other appliances necessary to operate the commissary. The contractor agreed to pay a commission of 39.6% of net sales on all commissary items to County 2. Auditors noted that from January 2017 to July 2019, County 2 has been paid \$1,863,917²⁹ in commissions from the contractor operating their commissary.

²⁸ At the time of fieldwork, the most recent contract between County 2 and their external contractor covered the timeframe of January 1, 2019 – December 31, 2020.

²⁹ Commissions paid to County 2 from their external contractor were \$715,469 (2017), \$758,075 (2018) and \$390,373 (Jan. – July 2019).

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Audit Recommendations:

We recommend Nassau County Correctional Center management:

- a) reinstate the practice of utilizing civilian workers to help decrease the direct payroll costs associated with operating the Commissary;
- b) review the current operations of their Commissary and perform an internal study to investigate potential alternatives which can be implemented in Nassau County to increase the Commissary's efficiency and profitability. The long-term effects of such alternatives should be considered. Such study should include, but not be limited to, the following:
 - i. contact neighboring counties and similar operating facilities to discuss their commissary's daily operations and overall performance to gain insight into potential alternatives/improvements which can be made to Nassau's current daily operations; and
 - ii. investigate the potential pros/cons of obtaining and implementing technological advancements or the use of outside assistance to assist with daily Commissary operations.

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AUDIT FINDING (4)

(4) Inmate Funds were Inappropriately Utilized Instead of Authorized Petty Cash Accounts

Auditor analysis revealed staff from the Inmate Accounts Unit were bypassing normal petty cash procedures and utilizing Commissary cash drawer money for cash travel advances and miscellaneous office purchases.

Auditors found that both cash drawers were short during our February 2020 cash count testing; the Accountant I's cash drawer balance was short by \$10,896 and the Correction Officer's cash drawer balance was short by \$69.

The Cash Drawer Reconciliation³⁰ contained a line item entitled "Trips" which amounted to the exact balance of each drawer's cash shortage. **Auditors discovered that Correction Officers were being given cash from the Inmate Accounts Unit's cash drawers as advancements for inmate transportation costs and other incidental items.**

During the normal course of business Correction Officers may have to transport inmates from the Nassau County Correctional Center to out of County courts, other correctional facilities, etc. These trips may incur travel expenses (gas, tolls, lodging, food, etc.) which are reimbursable to the assigned Correction Officers. To account for these transportation costs and other incidental items the County Legislature established three separate petty cash funds which may be used by the Correctional Center:

- i) Resolution No. 219-1986 = \$1,000 petty cash fund to be used by the Sheriff's Department, Family Court Unit, for the transporting of juveniles and other incidental items;
- ii) Resolution 49-1990 = \$6,000 petty cash fund used exclusively for expenses incurred in transporting inmates of the Nassau County Correctional Facility; and
- iii) Resolution 517-1996 = \$100 petty cash fund for use by the Sheriff's Department Civil Unit. Per the County's accounting system, this petty cash fund was later increased to \$200.

Instead of seeking reimbursement for their expenses or requesting an advancement of funds from these established petty cash funds, money from the cash drawers was being used to cover these expenses. The cash held within Inmates Accounts cash drawers is inmate money (held in trust by the Correctional Center) which has not yet been deposited into the Inmate Account bank account.

Auditors discussed the practice of utilizing inmates' money as an unofficial petty cash fund with staff from the Correctional Center's Budget & Finance Unit. They claimed they were unaware this was happening. Auditors noted the daily Cash Drawer Reconciliations where the "trips" balance was manually recorded were not forwarded to the Correctional Center's Budget & Finance Unit for review.

³⁰ At the end of each business day, both employees from the Inmate Accounts Unit complete an Inmate Account Balance Sheet ("Cash Drawer Reconciliation") to independently reconcile their cash drawers.

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Auditors also attempted to gain insight as to whether top Correctional Center management was aware of this practice or their existing petty cash fund procedures; however, after discussions and multiple email attempts no further information was provided.

Besides the fact that inmate money was being utilized as an unofficial petty cash fund, Auditors noted the following additional issues with the overall process:

- The Correctional Center was unable to provide any written policies and procedures for the accounting of the “trips” money (i.e. petty cash funds).
- The trips balances listed on the Inmate Accounts Unit’s Cash Drawer Reconciliations varied greatly during the scope of the audit. Auditors randomly sampled 4 days per year from 2017-2019 to evaluate how much money each cash drawer may have been short as a result of trip balances.

As noted in Exhibit IV below, the total daily trips balances in our sample ranged from \$1,186 (highlighted green) to \$14,674 (highlighted yellow).

Exhibit IV

Nassau County Correctional Center Examples of Inmate Accounts Employees' Cash Drawer Trips Balances			
Date	Accountant I	Correction Officer	Total
1/19/2017	\$0	\$1,618	\$1,618
6/1/2017	\$0	\$1,795	\$1,795
9/25/2017	\$0	\$1,561	\$1,561
11/6/2017	\$0	\$2,138	\$2,138
2/5/2018	\$1,117	\$69	\$1,186
5/9/2018	\$3,483	\$69	\$3,552
8/2/2018	\$1,504	\$69	\$1,573
12/12/2018	\$2,305	\$69	\$2,374
3/14/2019	\$4,603	\$69	\$4,672
4/10/2019	\$1,347	\$69	\$1,416
7/22/2019	\$2,991	\$169	\$3,160
12/18/2019	\$14,605	\$69	\$14,674

Note: All figures have been rounded to the nearest whole dollar.

- The Inmate Accounts Unit did not maintain a log of all employees who have received cash from their cash drawers, the reason/purpose for the advance, how much money each employee received, the date it was received, the date the unspent funds were returned to the cash drawer and the date the eventual reimbursement was received.
 - The only documentation utilized by the Inmate Accounts Unit to track their daily outstanding trips balance was an adding machine tape which included handwritten adjustments to account for the running balance of trips. See Appendix A for the adding machine tape provided to Auditors by the Inmate Accounts Unit to substantiate the \$10,896 trips balance listed for the Accountant I’s cash drawers on February 10, 2020.

Findings and Recommendations

- On February 11, 2020, Auditors were provided with a box containing 72 Petty Cash Vouchers and Claim Vouchers to support the \$10,896 trips balances listed on the Accountant I's February 10, 2020 Cash Drawer Reconciliation.

- The 72 Petty Cash/Claim Vouchers amounted to \$11,311, or \$415 higher than the trips balance claimed on the Accountant I's Cash Drawer Reconciliation. The Inmate Accountant I could not provide the support to explain the \$415 difference.

Of the \$11,311 amount: \$7,088 (63%) was for the transportation of inmates and the remaining \$4,223 (37%) was for various items such as parts for miscellaneous repairs, lunch meetings, hotel stays, and special inmate meals.

- The \$69 trips balance noted on February 10, 2020 was consistently listed as an outstanding trips item for the Inmate Accounts' Correction Officer's cash drawer. The CO was unaware of what this balance was for or why it continuously needed to be listed. Per Discussion with the Inmate Accounts Unit's Accountant I, this amount represented inmate money which was advanced to a Correction Officer in the past and never recovered.
- The Inmate Accounts Unit only required employees to pre-sign any *Petty Cash Vouchers* and *Claim Vouchers* with their name and signature. The dollar amount given to the Officer/recipient, the reasoning for the advancement and the date the money was disbursed were not documented.
 - The Inmate Accounts Correction Officer told Auditors that although the amount given to each recipient is not documented, each Petty Cash Voucher has a maximum value of \$200. So, if an employee needs to be advanced \$1,000 for a trip, they will complete five separate Petty Cash Vouchers (\$200 each) and be given the \$1,000 in cash obtained from one of the two Inmate Accounts cash drawers. However, the Inmate Accounts Accountant I stated that according to Nassau County petty cash procedures, each Petty Cash Voucher can have a value up to \$500. Although the Inmate Accounts Unit internally utilizes a "\$200 soft-cap", there are certain instances where the maximum value per Petty Cash Voucher can be increased to as much as \$500.

It is unclear if any of these maximum values were utilized in practice as the amounts initially given to each recipient were undocumented. Furthermore, Auditors note that this process does not comply with the Comptroller's Control Directive 1: Petty Cash Accounts which states that "Purchases may not, under any circumstances, be split in order to evade the \$500 single purchase limit". See Appendix B.

- On March 3, 2020, Auditors received a listing of outstanding Correctional Center petty cash claims from the Comptroller's Vendor Claims Division which were awaiting processing. The listing contained 61 petty cash claims which amounted to \$9,741. This is significant considering the combined total of all three Correctional Center petty cash funds is only \$7,200, or \$2,541 less than what was submitted. Based on the issues noted above, it appears the Correctional Center has been utilizing undeposited inmate money to exceed the total amount available in their three petty cash funds.

Findings and Recommendations

Audit Recommendations:

We recommend that the management of the Correctional Center:

- a) Immediately cease the current practice of utilizing inmate money for officer travel/petty cash expenses and use the appropriate pre-existing petty cash fund;
- b) Create and disseminate policies and procedures for the internal use of established petty cash funds in accordance with the Nassau County Comptroller's Control Directive 1: Petty Cash Accounts (Appendix B);
- c) Determine if an increase in established petty cash fund balances is necessary. If so, proceed to have the maximum balances adjusted through proper County approval;
- d) Require detailed logs be maintained for the proper tracking of all petty cash transactions. These logs should include the following:
 - i. name and title of employee who received petty cash;
 - ii. date and amount of petty cash funds initially disbursed;
 - iii. the reason/purpose for the funds;
 - iv. date and amount when unspent funds were returned;
 - v. date and amount submitted for reimbursement; and
 - vi. date and amount of reimbursement received.
- e) Utilize the existing County contract for travel services, which allows the vendor to directly arrange and purchase travel arrangements for those employees in the Department who seek reimbursement directly from the County*;
- f) Utilize the exception to the meal reimbursement policy, which authorizes law enforcement, including employees of the Sheriff's Department, to receive meal reimbursement for meals purchased for an inmate(s) that they are transporting regardless if the meal is purchased in, or outside the County*;
- g) Consistent with prior approvals given by the Office of Management and Budget and the County Comptroller's Office, permit employees to use petty cash for E-ZPass, gas or inmate meals*; and
- h) Utilize E-ZPasses supplied to them*.

*Auditors have been informed that the Claim's Division and Counsel within the Office of the Nassau County Comptroller has been working with the Office of the County Executive and the Sheriff's Department on solutions to a number of identified issues concerning travel expenses.

Findings and Recommendations

AUDIT FINDING (5)

(5) Almost \$14,000 in Avoidable Bank Fees were Charged Against the Inmate Account

Auditor review found that almost \$14,000 in avoidable bank fees were charged against the Inmate Account during the scope of the audit.

While reviewing the Inmate Account bank statements, Auditors noted significant charges for bank fees which are usually not charged against County bank accounts. From January 2017- December 2019, the Inmate Account was charged \$13,951 in bank fees. Based on data provided by the Correctional Center, it appeared that \$11,219 of these fees were eventually paid back to the Inmate Account via checks cut from the Inmate Exchange Account (Commissary Account).

Auditors questioned Correctional Center staff about these fees and were told that staff was aware of the bank fees being charged for account reconciliations, positive pay, online activity and transaction fees including fees for each deposit being made into the account. Correctional Center staff stated that the bank accounts were setup through the Treasurer's Office.

Auditors further discussed the bank fees with the Nassau County Treasurer's Office and were advised that the particular account in question is a Non-NIFS³¹ bank account and would have been setup directly by the Correctional Center, not the Treasurer.

Auditors were told by Treasurer's Office staff that bank fees should not be charged if the account was setup using the County's Tax ID, since the County has enough compensating balances in their other accounts at this particular bank.

Correctional Center staff was unsure what Tax ID was used to setup the account. As a result, the Treasurer's Office contacted the bank and determined the County's Tax ID was utilized when this account was setup. The Treasurer's Office stated they would obtain the required documents to include the account with the other County bank accounts to eliminate any future bank fees.

Audit Recommendation:

We recommend the Correctional Center adequately protect inmate funds and consult with the Nassau County Treasurer's Office to avoid being charged any future banking fees.

³¹ The Nassau Integrated Financial System ("NIFS") is the financial accounting system that is used by Nassau County. Non-NIFS bank accounts are utilized where departments collect and disburse funds that do not belong to the County.

Findings and Recommendations

AUDIT FINDING (6)

(6) A \$7,077 Error Has Remained Unreconciled and Still Present On The Correctional Center's Books Since 2011

During our review, Auditors discovered a \$7,077 error that has remained on the Inmate Account's books since it was initially uncovered by Correctional Center staff in 2011.

Auditors were made aware of a booking/deposit error while discussing daily reconciliation procedures with staff from the Inmate Accounts Unit. In May 2010, the Correctional Center mistakenly deposited cash into the wrong inmate's account. This error was not discovered during the Inmate Accounts staff's daily cash receipts reconciliation process. The inmate who erroneously received this money transferred a majority of the money out of the facility to an outside party in June 2010 and was later released/transferred from the Correctional Center.

In June 2011, the inmate who should have originally received the money in their account was released and requested their funds. At this point, the Inmate Accounts Unit realized that the funds were originally deposited in the wrong inmate's account and an error had previously occurred.

To rectify this, the Inmate Accounts Unit paid the correct inmate the \$7,077 that should have originally been deposited in their account. Then the Inmate Accounts Unit added an adjusting entry to their daily reconciliation records to add back the \$7,077. This adjustment would remain on their books until the funds could be recovered from the inmate who was mistakenly given the money.

To date, the Correctional Center has been unable to recoup this money and has failed to write off the loss to their operating costs.

Audit Recommendation:

We recommend the Inmate Accounts Unit write off this adjusting entry by transferring profits from the Commissary bank account to the Inmate Account bank account to rectify the issue.

Findings and Recommendations

AUDIT FINDING (7)

(7) \$2.1 Million of Commissary Purchases Were Made Without Utilizing Competitive Procurement and Contracts

Nassau County's procurement process is guided by the Nassau County Countywide Procurement & Compliance Policy #CE-01-2019 ("County Procurement Policy")³² and New York State General Municipal Law, Article 5-A, Section 103 ("GML §103")³³. These policies are designed to ensure the County is obtaining the best value for its purchases and working with responsible vendors.

Although the monies spent on Commissary purchases are held in a fiduciary trust account by the Correctional Center and are not considered "public monies," best practice would be for the Correctional Center to comply with County Procurement Policy and GML §103 in order to obtain the best possible prices and limit any waste, fraud or abuse. The Nassau County Procurement Policy requires formal sealed bids for all purchases over \$10,000.

Commissary items were purchased by the Commissary staff utilizing their own methodology instead of utilizing the procurement services of the Nassau County Office of Purchasing. **The Correctional Center was unable to provide Auditors with any evidence that formal sealed bids were utilized to substantiate the terms for any goods purchased to be sold at the Commissary or for any assets bought with Commissary profits for prisoner welfare and rehabilitation.**

Conversations with Correctional Center staff revealed that the vendors selected for purchases were the vendors who were historically utilized by the Correctional Center for many years. Additionally, Auditors were told by Correctional Center staff that, as a result of non-competitive bidding, the wholesale prices for items routinely fluctuate with the market. This in turn has affected the resale price of items charged to inmates and ultimately may impact the profits generated by the Commissary. As a result, Correctional Center staff stated that they were beginning to talk with the Nassau County Office of Purchasing to establish competitive procurement for use by the Commissary.

From 2017-2019 the Correctional Center made purchases from 18 different vendors, with total expenses for this timeframe amounting to over \$2.1 million. Exhibit V below illustrates how many of these 18 vendors were utilized each calendar year and the overall payments made to these vendors by year.

³² <https://www.nassaucountyny.gov/DocumentCenter/View/25496/2019-Procurement--Compliance--Policy?bidId=>

³³ <https://www.nysenate.gov/legislation/laws/GMU/103>

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Exhibit V

Nassau County Correctional Center Commissary Vendor Expenses 2017 - 2019				
Statistics	2017	2018	2019	Total
# Vendors Used	15	16	13	18*
Annual Vendor Expenses	\$ 721,373	\$ 772,202	\$ 653,027	\$ 2,146,602

Note: All figures have been rounded to the nearest whole dollar.

** 18 different vendors were paid from 2017-2019. 12/18 vendors received payments in all 3 years.*

The Nassau County Procurement Policy requires the following procurement procedures for the purchase of goods:

- Under \$500 = Competitive bids not required. Only one recorded quote is required. Additional quotes may be requested if the Buyer deems it appropriate for savings potential.
- \$500 to \$2,999 = Three informal competitive bids. The Buyer must obtain and record at least three verbal quotations.
- \$3,000 to \$9,999 = The Buyer must obtain and record at least three written informal quotations from the vendors.
- \$10,000 and Over = Subject to Formal Sealed Bid.
- Purchases of \$100,000 or more must be presented to the Nassau County Legislature Rules Committee for approval unless ordered under NYS contract authority.
- In all cases the lowest responsible bidder is awarded the order/contract.

The Correctional Center did not comply with these procurement procedures for the purchase of goods with Commissary money.

As illustrated in Exhibit VI below, five vendors (of the previously mentioned 18) were paid over \$10,000 in one or more calendar years from 2017 to 2019. If Nassau County Procurement Policy was followed, a Formal Sealed Bid process would have been performed since the aggregate amount of all commodities purchased were over \$10,000 in a calendar year for each vendor.³⁴ These five vendors also represented the main suppliers of items purchased for sale through the Commissary. **During the scope of our audit, payments to these five vendors amounted to almost \$2.1 million.**

³⁴ New York Consolidated Laws, General Municipal Law, Article 5-A, § 103, "In determining whether a purchase is an expenditure within the discretionary threshold amounts established by this subdivision, the officer, board or agency of a political subdivision or of any district therein shall consider the reasonably expected aggregate amount of all purchases of the same commodities, services or technology to be made within the twelve-month period commencing on the date of purchase. Purchases of commodities, services or technology shall not be artificially divided for the purpose of satisfying the discretionary buying thresholds established by this subdivision."

Findings and Recommendations

Exhibit VI

Nassau County Correctional Center Commissary Vendor Expenses over \$10,000 2017 - 2019				
Vendor	2017	2018	2019	Total
A	\$ 261,808	\$ 356,393	\$ 286,179	\$ 904,380
B	\$ 264,422	\$ 225,779	\$ 207,687	\$ 697,888
C	\$ 104,705	\$ 95,299	\$ 89,854	\$ 289,858
D	\$ 31,151	\$ 42,019	\$ 30,999	\$ 104,169
E	\$ 28,525	\$ 18,322	\$ 8,020	\$ 54,867
Total	\$ 690,611	\$ 737,812	\$ 622,739	\$ 2,051,162

Note: All figures have been rounded to the nearest whole dollar.

Audit Recommendations:

We recommend the Correctional Center:

- a) follow the Nassau County Procurement Policy; and
- b) utilize the services of the Nassau County Office of Purchasing for all vendor selection processes to promote increased competition amongst vendors to obtain quality goods/services at the lowest price with consistent terms.

Findings and Recommendations

AUDIT FINDING (8)

(8) Cash Disbursement Procedural and Internal Control Weaknesses Were Identified

Auditor review of Commissary cash disbursements revealed numerous procedural and internal control deficiencies which significantly increases the risk that unauthorized payments or misappropriation of funds could occur or go undetected. Note that over \$3 million in disbursements were made during the audit period.

Auditors sampled 150 cash disbursements (50 per year for 2017, 2018 and 2019) and performed testing to determine if the internal controls over cash disbursements were functioning properly. The disbursements tested were the operational purchases made for stocking commissary inventory for inmate orders or purchases made with the profits of the commissary for the purposes of prisoner welfare and rehabilitation (i.e. grooming supplies, newspapers, basketballs, board games, etc.) not the Commissary's sales to inmates (e.g. "inmate orders").

Auditor testing revealed the following issues:

- 93% of cash disbursements tested (140/150) did not contain any form of documentation to substantiate why items were needed (e.g. requisition).
- 52% of cash disbursements tested (78/150) did not maintain a proper segregation of duties. The same individual from the Inmate Accounts Unit who placed an order with a vendor was the same individual who received, disbursed and processed payment for the purchase, thus increasing the risk of misappropriation. This lack of segregation of duties, together with the procurement procedures utilized (i.e. lack of sealed formal bids) increases the risk of fraud such as collusion between buyer and vendor.
- 31% of cash disbursements tested (46/150) found the invoice and/or shipping documentation was not signed by the recipient to note the items were received.
- 23% of cash disbursements tested (35/150) were found to be confirming purchases where invoices predated purchase orders.
- 8% cash disbursements tested (12/150) only contained a system generated Purchase Order as support; no invoices were present in the voucher packages. As a result, Auditors were unable to perform testing for multiple audit procedures such as verifying the following: if purchase orders predated the vendor's invoice, if the invoice was mathematically accurate, if the invoice price agreed to the purchase order price, if the invoice and/or shipping documentation were signed by the recipient to note the items were received.

Additionally, our testing found the following significant irregularities with disbursements which passed departmental review and were approved for payment via checks signed by the authorized check signers (either the Sheriff or Correctional Center Budget & Finance Director/Assistant to the Sheriff), as follows:

- One instance where the vendor listed on the purchase order was not the same as the vendor listed on the invoice and cleared check.

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- One instance where the purchase order number listed on the vendor's invoice did not agree with the purchase order.
- One instance where the check was made payable to the incorrect vendor.
- One instance where the supporting invoice was deemed insufficient by Auditors. The invoice appeared to be a manually typed document and did not contain any identifying vendor letterhead. See Exhibit VII below:

Exhibit VII

Order Proposal for Nassau County Sheriff's Dept. 1/11/19

Inmate Exchange

25 Dozen (300 Pieces) Andis Cool Care Plus @ \$7.50 = \$2,250.

1 Dozen (12 Pieces) Andis Cordless Envy LI Clipper @ \$75. = \$900.

Total = \$3150.

Processed by [REDACTED]

Phone/Fax [REDACTED]

E-mail - [REDACTED]

[REDACTED]

Received
2/05/19

1

Auditors interviewed key staff from both the Commissary and Inmate Accounts Units to gain an understanding of the cash disbursement process. Auditors noted the following procedural issues

Findings and Recommendations

with the cash disbursement process in relation to purchases made for stocking commissary inventory for inmate orders and purchases made with the profits of the commissary for the purposes of prisoner welfare and rehabilitation (i.e. grooming supplies, newspapers, basketballs, board games, etc.):

- As later noted in Finding 14, no formal written policies/procedures exist to detail the cash disbursement process.
- Commissary staff does not use standardized written requisitions when requesting Commissary purchases for Commissary inventory by the Inmate Accounts Unit. Instead, the quantity of items needed is simply written next to the applicable item(s) on a blank Inmate Exchange Form (“Commissary Sheet”). These Commissary Sheets are the same forms that are also used by inmates when they place an order for Commissary items. This Commissary Sheet containing the Commissary staffs’ inventory order is then brought to the Inmate Accounts Unit to contact the necessary vendors and process the orders.
- The Commissary Sheets are not signed or dated by the requestor. Similarly, the Commissary Sheets are not reviewed, signed or dated by a supervisor to approve the requests prior to the creation of a purchase order and placement of orders with vendors.
- The Commissary Sheets requesting the purchase of items are not retained with the purchase orders and are discarded after the requests are processed into a purchase order.
- There is no formal process in place requiring signatures for the receipt of goods.
- Only one signature is required on all Commissary checks regardless of any dollar amount (either the Sheriff or Correctional Center Budget & Finance Director/Assistant to the Sheriff).
- **The Correctional Center did not identify on their purchase orders and corresponding accounting system data whether an individual expense was made for a Commissary operational cost (i.e. buying items to resell at the Commissary), or a Commissary profit expense for purposes of prisoner welfare and rehabilitation (i.e. grooming supplies, newspapers, basketballs, board games, etc.). As a result, Auditors were limited in their ability to test cash disbursements for compliance with the NYSCOC minimum standards.** This subject is further discussed in Findings 15 and 16.
- As of March 2020, an old accounting system (JCON) was being used for all Commissary purchases despite the Correctional Center upgrading its accounting system in August 2019. The Correctional Center’s new accounting system (IMACS) was not implemented with a section for the Commissary to process purchases. As such, the previous JCON system is still being used until a replacement system is created. Since the production version of JCON was officially shut down when IMACS was implemented, Commissary purchases are being input into a test environment within JCON, which limits reporting functionality. Additionally, there is no communication between the two accounting systems. This subject is further discussed in Finding 15.

Findings and Recommendations

Auditors noted that a neighboring county utilizes an off-the-shelf accounting software (QuickBooks) for the accounting of their Commissary expenditures.

Audit Recommendations:

We recommend:

- a) Formal written policies/procedures be created to detail the cash disbursement process;
- b) Standardized written requisitions be created and utilized to request the purchase and document the approval of Commissary resale items;
- c) The Correctional Center require all supporting documentation and accounting system data to identify whether an expense is for a Commissary operational cost (i.e. buying items to resell at the Commissary) or for a Commissary profit expense for purposes of prisoner welfare and rehabilitation;
- d) Written requests should be maintained and stored with the subsequently created purchase order;
- e) The Correctional Center establish procedures for Correctional Center staff to date and sign shipping invoices or shipping documents upon receipt of delivered items and also to note any deficiencies and any other comments that may be relevant to paying the invoice;
- f) A modern accounting system, such as an off-the-shelf accounting software program like QuickBooks, be implemented for the initiating, tracking and recording of all Commissary purchases;
- g) Segregation of duties should be maintained by not allowing the same individual who orders items be the same individual who processes payment for orders;
- h) Payment should only be made to vendors upon the delivery of goods and receipt of an identifying vendor invoice; and
- i) All disbursements are reviewed, approved and dated by a supervisor before payments are processed.

Findings and Recommendations

AUDIT FINDING (9)

(9) Numerous Internal Control Deficiencies Were Identified with the Collection, Processing, Reporting and Depositing of Daily Cash Receipts

Auditor review of the Commissary and Inmate Account cash receipts process found the daily cash receipts collection, processing, reporting and depositing were not in Compliance with the Nassau County Comptroller's Control Directive 3: Cash Receipts, resulting in numerous procedural and internal control³⁵ deficiencies which significantly increase the risk that errors or misappropriation of funds could occur or go undetected.

Auditors interviewed key staff from the Commissary, Inmate Accounts and Budget & Finance Units and observed cash receipt collection procedures with staff to gain an understanding of the daily cash processes at the Correctional Center. Auditors noted numerous internal control weaknesses which are further discussed by topic below.

Cash Receipt and Daily Fund Balance Sheet Issues:

Auditors reviewed cash receipts and daily reconciliation reports for one week in December 2019 (12/2 to 12/6) to determine if the internal controls over the cash collection process complied with the Comptroller's Control Directive 3: Cash Receipts (See Appendix C). Auditor testing revealed the following:

- The Inmate Accounts Correction Officer was out on leave for an extended period, which covered the week tested. As a result, only the Accountant I's cash drawer was being used. No documented review existed to prove another employee within Inmate Accounts verified the Accountant I's cash drawer and daily activity. At the close of each business day, an employee other than the employee in charge of that cash drawer should count the cash and verify the total amount of receipts as set forth in the Comptroller's Directive 3: Cash Receipts. As such, a proper segregation of duties was not maintained.
- None of the Daily Fund Balance Sheet in our sampled week were reviewed by staff in the Correctional Center's Budget & Finance Unit. Normally these sheets are reviewed by an Accountant II in the Correctional Center's Budget & Finance Unit. Upon questioning, Auditors were told the Budget & Finance Office was too busy to review the paperwork due to the recent computer system upgrade and information was being withheld until that Unit advised they had caught up on their work. As of January 28, 2020, all Daily Fund Balance Sheets from November 14, 2019 on were not reviewed by the Budget & Finance Unit.
- Since no standardized opening and closing balances were utilized, Auditors found ranges with opening and closing cash drawer balances. Auditors noted opening balances between the two cash drawers ranged from \$29,571 - \$32,712 whereas closing balances between the two cash drawers ranged from \$29,571 – \$34,687.

³⁵ The Comptroller's Control Directive 3: Cash Receipts states, "To protect the county's financial resources as well and federal and state financial resources entrusted to the county, departments must implement stringent cash controls. Control procedures, including tracking, recording and accountability measures, must be implemented to ensure that funds are properly managed, and cash is deposited in a timely manner." See Appendix C for more details.

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- Daily Fund Balance Sheet reconciliations completed by Commissary staff were performed at varying times during the week. During the five days reviewed, reconciliation times were the following: 7:44 PM, 7:21 PM, 5:36 PM, 6:40 PM and 6:20 PM (Monday to Friday, respectively). These variations are significant since the data to support the Total Inmate Fund Balance is only valid at the specific time the reconciliation is performed.
- A \$7,077 unreconciled adjusting entry was listed on the Daily Fund Balance Sheet to account for an error made in 2011. This issue was previously discussed in Finding 6.
- A \$436 adjusting entry has been maintained on every Daily Fund Balance Sheet since the accounting system upgrade in August 2019. Auditors were informed that after the upgrade a \$436 difference was discovered between the ending balance of the prior system (JCON) and starting balance of the new system (IMACS). This difference has not yet been reconciled and as such is being held as an adjustment on all Daily Fund Balance Sheets until it can be corrected.

Cash Drawer Recount Issues:

On February 11, 2020 Auditors performed a complete recount of all daily cash activity which took place at the Inmate Accounts Unit. All cash drawers, daily cash collections, daily reconciliations and contents of the Inmate Accounts Unit's safe were recounted and reperfomed by Auditors. We noted the following discrepancies during our analysis:

- The Accountant I's opening and closing cash drawer balance was found to be short by \$10,896 and the Correction Officer's opening and closing cash drawer balances were found to be short by \$69. The explanations for these differences was previously discussed in Finding 4.
- Two envelopes were found in the Correction Officer's cash drawer which contained additional cash which was not reported in the daily balances.
 - One envelope contained \$20, which Auditors were told was being held for a specific inmate who was possibly shortchanged by \$20 during their February 4, 2020 release. The funds were being held in case the inmate returned to the Correctional Facility.
 - The other envelope contained \$109, which Auditors were told had been in the cash drawer when the Correction Officer started working in Inmate Accounts Unit. The reasoning for this extra money was unknown.

Cash Receipt Procedural Internal Control Weaknesses:

The following are high-level cash receipt procedural issues identified by Auditors, which significantly increase the risk of error and potential misappropriation of funds. **A detailed breakdown of the entire cash receipts process and associated issues identified by Auditors can be viewed in Appendix D.**

- **No formal written policies and procedures existed for the cash receipts process, as later discussed in Finding 14.**

Findings and Recommendations

- **Financial information cannot be compared from day-to-day since no uniform/standardized daily close of business is utilized.** Opening balances for daily fund reconciliations are not based on prior day ending figures, resulting in irreconcilable financial information from the close of one business day to the opening of the following business day.
- **Since there is no formal close of business, the reports generated from the accounting system to detail and support the daily ending balances are only available at the time of creation.** This makes it very difficult, at a later date, to verify the activity presented on these reports since no audit trail is created. As a result, any errors not discovered during the reconciliation process can be carried forward for an indeterminable amount of time, thus increasing the opportunity for potential misappropriation of funds.
- **Accounting system adjustments to alter individual cash receipts do not require supervisory review or approval to be processed.** Inmate Accounts staff change the amount in the accounting system to what they counted by entering an adjusting entry. This is significant considering Inmate Accounts staff are responsible for depositing these funds into the Inmate Account bank account, resulting in increased risk for misappropriation of funds. No one employee should have full control over the receipt of cash and/or checks, preparation and reconciliation of daily summaries, depositing of the cash and/or checks and the recording of transactions on the accounting records, as stated in the Comptroller's Control Directive 3: Cash Receipts (See Appendix C).
- **There is no set daily opening/closing balance that each drawer is required to maintain.** The amount of cash that is ultimately maintained in each drawer is left to the discretion of the Accountant I and the CO. As a result, excessive amounts of cash may be held by Inmate Accounts staff instead of being deposited in the bank. Auditors noted during their weeklong testing, previously detailed in this finding, that \$29,600-\$34,700 was sitting in the cash drawers all week.
- **Bank deposits are not prepared daily and deposit amounts are made completely at the discretion of staff from the Inmate Accounts Unit.** Deposits cannot be traced to the daily inmate cash receipts collected because of a lack of daily preparation and consistency in determining deposit amounts. Cash receipts are to be deposited as soon as possible and in the same form as it was collected as required by the New York State Comptroller³⁶.
- **Inmate Accounts staff do not verify each other's daily work.** Staff from the Inmate Accounts Unit do not recount each other's cash drawers, nor do they verify the information listed on each other's daily Cash Drawer Reconciliations. Additionally, a Supervisor also does not recount the cash drawers or verify the information on their Cash Drawer Reconciliations. As set forth in the Comptroller's Control Directive 3: Cash Receipts, Supervisors should verify that physical and recorded cash receipt amounts match, and Supervisors must sign off before bank deposits are made. Since these cash recounts are not performed, there is a significant risk that errors may go undetected. The information from

³⁶ Office of the New York State Comptroller, Division of Local Government and School Accountability, Local Government Management Guide, The Practice of Internal Controls. (2010).
<https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2019-01/practiceinternalcontrols.pdf>

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the Cash Drawer Reconciliations is carried forward into the next day, therefore any errors not initially discovered may be carried forward for an indeterminable amount of time, thus increasing the opportunity for potential misappropriation of funds.

Audit Recommendations:

We recommend Correctional Center management:

- a) Establish a standardized close of business time that is uniformly used throughout the Correctional Center. This close of business should coincide with the daily close of business used in the Correctional Center's accounting system;
 - i. All manually prepared daily cash reports and reconciliations should be performed in accordance with this close of business to allow for uniform comparison of daily activity;
 - ii. All daily accounting system generated reports should fully substantiate and agree with all manually prepared reconciliations and each individual inmate's account balance.
- b) Implement cash control policies and procedures in accordance with the Comptroller's Control Directive 3: Cash Receipts (Appendix C);
- c) Require documented Supervisory review of the cash receipts process from collection to deposit;
- d) Require any discrepancies identified with the daily cash collected from all locations to be fully documented and brought to the attention of a Supervisor. Any adjustments made to any balances in the accounting system should require Supervisor approval prior to making the adjustment;
- e) Require all cash receipts to be deposited in the same form as collected as required by the New York State Comptroller and in no instance less frequently than once a week as set forth in the Nassau County Comptroller's Directive 3: Cash Receipts (Appendix C);
- f) Establish daily opening/closing balances that each Inmate Accounts cash drawer is required to maintain;
- g) Require the Inmate Accounts staff and a Supervisor to recount each other's cash drawer at the close of business each day and document their recount by signing/dating the sheet. Any noted differences must be investigated and documented. If an Inmate Accounts employee is absent, another Correctional Center staff member must recount and verify their cash drawer and daily reports to maintain a proper segregation of duties;
- h) Any unreconcilable amounts found in either cash drawer should be investigated by a Supervisor. Those deemed unreconcilable should be written off with management's approval; and

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- i) Investigate the \$436 difference discovered between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS) to determine why a difference exists.

AUDIT FINDING (10)

(10) There is No Standardized Methodology Used to Determine Selling Prices for Items Sold at the Commissary

The Correctional Center does not have a standardized method to determine the individual sales price of items sold at the Commissary, limiting the ability of the Commissary to generate a modest return above cost as outlined in minimum standards.

In accordance with the NYSCOC's minimum standards, "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."³⁷

During the audit Entrance Conference, Correctional Center management stated that there was no set methodology or formal calculation process utilized to establish the prices of any items offered for sale at the Commissary. Correctional Center management stated that they review the prices charged in other counties and New York City and tried to price their items accordingly, with a "slight" mark-up on their purchase cost. Auditors were informed that ultimately the Sheriff determines which items are sold at the Commissary and at what price.

Auditors independent research has revealed that other commissaries throughout the country do utilize a standard methodology to mark-up their items with an average mark-up of approximately 30%.³⁸ It is important to note that it is unlikely two commissaries will have the same sales price for individual items since each commissary has a different operating expenses and therefore requires different revenues to be self-supporting.

During the scope of the audit the Commissary offered 101 individual items for sale to inmates. Items sold included snack foods, beverages, candy, stationery and writing materials, international calling cards, toiletries and clothing items. All items were sold with a retail price higher than the purchasing price; however, the profit margin and mark-up of each item varied greatly.

- The lowest priced item, an individual mayonnaise packet, was purchased for \$0.15 and sold for \$0.20 (mark-up of 33%), resulting in a profit of \$0.05 per sale and a gross profit margin of 25%.
- The highest priced item, an International Calling Card, was purchased for \$11.20 and sold for \$20.00 (mark-up of 79%), resulting in a profit of \$8.80 per sale and a gross profit margin of 44%.

³⁷ 9 NYCRR § 7016.1 (b).

³⁸ 2013 Survey of prison commissaries conducted by the Association of State Correctional Administrators (ASCA).
https://www.prisonpolicy.org/scans/asca_commissary_survey_2013.pdf

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Exhibit VIII displays the minimum³⁹, median⁴⁰ and maximum⁴¹ statistics for five different categories of data (each represented by a different row). For example, the minimum price the Commissary purchases an item for is \$0.06 and the maximum price is \$12.89. The least expensive items that an inmate can purchase at the Commissary will cost the inmate \$0.20; whereas the most expensive item will cost an inmate \$20.00. As illustrated in Exhibit VIII below, a lack of standardized methods to determine item prices have resulted in large variances in data; gross profit per item ranged from 7% - 88% whereas mark-up per item ranged from 8% - 733%.

Exhibit VIII

Nassau County Correctional Center Analytical Statistics of Commissary Items			
Statistics	Minimum	Median	Maximum
Commissary Purchase Price	\$0.06	\$0.92	\$12.89
Inmate Sales Price	\$0.20	\$1.50	\$20.00
Profit/(Loss)	\$0.05	\$0.72	\$8.80
Gross Profit %	7%	38%	88%
Mark-up %	8%	62%	733%

Note: The data presented in each row is independent of one another.

For the Commissary to be self-supporting it should first determine what its operating expenses are, and then determine what prices should be charged to allow the Commissary to generate a modest return above its costs. As noted in Finding 1, the Correctional Center has been unable to determine the Commissary's annual operating expenses. This effects their ability to appropriately set the sales price of Commissary items to cover its expenses. See Finding 2 for a more detailed analysis of the Commissary's profit and loss statements.

Additionally, the Correctional Center was unable to provide Auditors with analytical data related to Commissary item sales which could have also been utilized in determining item prices. Information such as the individual items sold, the quantity of items sold, gross sales, costs and overall profits earned from each item should be used as benchmarks for determining the individual sales price of items to generate a modest return above cost. This is significant in order to have a self-sustaining Commissary which also generates profits to purchase additional non-mandatory items for the health and welfare of inmates.

³⁹ The minimum is the smallest number in the dataset.

⁴⁰ The median is the middle data point when the dataset is arranged in order from smallest to largest.

⁴¹ The maximum is the largest number in the dataset.

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Audit Recommendations:

We recommend the Correctional Center:

- a) establish a standardized method, in accordance with minimum standards, to determine the prices for items sold at the Commissary; and
- b) begin tracking statistical data for Commissary operations so data analytics can be utilized to determine item pricing to ensure a modest profit is generated. The sales prices of items should be set at appropriate prices that will generate enough revenue to produce a modest return above cost while also considering the inmates' ability to pay.

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AUDIT FINDING (11)

(11) There are Weaknesses in the Manner in Which the Commissary Inventory is Maintained and Safeguarded

Commissary staff was not performing routine inventory inspections to identify and reconcile any inventory discrepancies. This resulted in an environment of inadequate internal controls for asset safeguarding and inaccurate inventory records, which significantly increases the risk of asset misappropriation and waste.

The Commissary currently operates from one location on the 2nd floor of the “E Building” where all inventory is maintained. Items sold at the Commissary change over time, but usually include snack foods, beverages, candy, stationery and writing materials, international calling cards, toiletries and clothing items. Auditors noted the following issues pertaining to Commissary inventory which are further detailed by topic below:

- Differences between inventory on hand versus inventory recorded on the books;
- Routine inventory reconciliations were not performed by Commissary staff;
- Inventory was not adjusted for inmate worker allowances and Free, Damaged, or Stolen Commissary Goods after August 2019 when the Commissary’s new computer system was implemented;
- Discontinued/Unsaleable items remain in Commissary stock; and
- Dollar values for unknown Commissary items located at obsolete Commissary locations remain on the books.

Differences Between Inventory on Hand Versus Inventory Recorded on the Books:

As of November 15, 2019, there were 101 different items available for sale to inmates listed on the Commissary’s Inmate Exchange Form (See Appendix G), which broadly fall under nine inventory categories. Auditors sampled 31 of the 101 items available for sale, performed a physical count of the items maintained in the Commissary and compared the results to the Correctional Center’s system generated report⁴².

Auditors found discrepancies with 77% (24/31) of the items tested. Our results noted the following:

- 55% (17/31) items tested had physical quantities less than the amount reported on the Commissary's book inventory maintained in IMACS, amounting to a book overstatement of 2,086 items with a resale value of \$2,978.
- 22% (7/31) items tested had physical quantities greater than the amount reported on the Commissary's book inventory maintained in IMACS, amounting to a book understatement of 853 items with a resale value of \$892.

⁴² Physical Inventory Variance report which noted the daily Commissary inventory within IMACS (“the book value”).

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As illustrated in Exhibit IX below, Auditors identified both overstatements and understatements between the physical inventory and book inventory which amounted to a gross discrepancy of \$3,870.

Exhibit IX

Nassau County Correctional Center Physical Count of Commissary Items vs. IMACS Book Inventory As of November 15, 2019								
Inventory Category	Qty on Inventory Report	Total \$ Value of Inventory	Qty of Understated Inventory	\$ Value of Understated Inventory	Qty of Overstated Inventory	\$ Value of Overstated Inventory	Auditor Count of Inventory	Gross \$ Value of Discrepancy
Cake & Snacks	4,453	\$ 4,979	222	\$ 184	172	\$ 176	4,503	\$ 360
Healthier Snacks	88	\$ 396	0	\$ -	7	\$ 32	81	\$ 32
Beverages	436	\$ 1,308	0	\$ -	35	\$ 105	401	\$ 105
Spreads	4,535	\$ 2,041	0	\$ -	264	\$ 118	4,271	\$ 118
Candy & Misc.	5,888	\$ 6,954	0	\$ -	255	\$ 275	5,633	\$ 275
Stationery	6,960	\$ 17,427	63	\$ 63	1,214	\$ 1,098	5,809	\$ 1,161
Miscellaneous Supplies	75	\$ 315	444	\$ 459	0	\$ -	519	\$ 459
Toiletry Articles	2,468	\$ 3,702	124	\$ 186	11	\$ 17	2,581	\$ 203
Clothing Items	270	\$ 2,894	0	\$ -	128	\$ 1,157	142	\$ 1,157
TOTAL	25,173	\$ 40,016	853	\$ 892	2,086	\$ 2,978	23,940	\$ 3,870

Note: All dollar values rounded to the nearest whole dollar.

The results of the Auditor's testing were discussed on November 15, 2019, with the Sergeant who oversees the Commissary. Auditors were told the inventory differences were not surprising as glitches in the newly implemented Correctional Center computer system were found to have affected the Commissary inventory amounts. However, Auditors noted that this may just be a contributing factor to the overall inventory inconsistencies as a result of Commissary staff not performing routine inventory reconciliations and not accounting for inmate worker orders and free, damaged, or stolen goods.

Routine Inventory Reconciliations Were Not Performed by Commissary Staff:

During our Entrance Conference, Correctional Center management stated that they believed Commissary inventory was being reconciled monthly. However, Auditor discussions with Commissary staff revealed that routine monthly inventory reconciliations were not performed. Auditors were not provided with any written policies or procedures which outlined requirements for periodic inventory and maintenance of Commissary items.

The Sergeant who oversees Commissary operations stated that a physical inventory was taken in August 2019 as part of the Correctional Center's transition to a new computer system. This inventory was used as the starting balances for the new computer system, IMACS⁴³. The ending balances in the previous system, JCON⁴⁴, were not used since they were most likely not accurate as the physical inventory was not reconciled to the balances in JCON. Additionally, the Sergeant

⁴³ The Incarceration Management and Cost Recovery system ("IMACS") was implemented on August 10, 2019. The first day Commissary orders were processed in IMACS was August 19, 2019.

⁴⁴ The Correctional Center's previous accounting system, the Inmate Tracking System ("JCON"), was designed approximately 30 years ago by the Nassau County Office of Information Technology and was utilized for all Correctional Center accounting functions until the implementation of IMACS in August 2019.

Findings and Recommendations

believed the Commissary performed an inventory reconciliation twice per year. Auditors were not provided with any supporting documentation for these inventory reconciliations.

Staff from the Inmate Accounts Unit claimed they assisted the Commissary with an inventory reconciliation in January 2019, and to their knowledge this is the last time a reconciliation was performed. In the past, they stated, inventory reconciliations were performed on a quarterly basis; however, it appears this has not been happening for quite some time. The Inmate Accounts Unit provided Auditors with documentation for the January 18, 2019 inventory reconciliation; however, any documentation prior to that was unable to be located.

Commissary Inventory Was Not Adjusted for Inmate Worker Allowances and Free, Damaged, or Stolen Commissary Goods after August 2019 when the Commissary's New Computer System was Implemented:

Through conversation with Commissary supervisors and staff, Auditors noted that Commissary items provided to the Commissary's inmate workers as payment for their weekly services and also entries for free, damaged, or stolen Commissary goods were not entered into IMACS to reduce the inventory on hand; inherently creating differences between the physical inventory and system inventory. "Free", "Damaged" and "Stolen" were all separate categories which could be selected under the Inventory Maintenance section in JCON.⁴⁵

Based on discussions with staff from the Inmate Accounts Unit and documentation provided to Auditors, it appears that these entries were previously being made by Inmate Accounts staff in the prior accounting system, JCON. However, this responsibility was shifted to the Commissary when IMACS was implemented in August 2019.

According to system reports from JCON, the free Commissary goods amounted to \$58,367 for 2017, \$10,599 for 2018 and \$5,509 for January to July 2019.⁴⁶

Discontinued/Unsaleable Commissary Items Remain in Commissary Stock:

Auditors were informed of items that are stored in the Commissary but are no longer sold to inmates. In particular, approximately 200 handheld radios, baby powder and foot powder remained in storage in the Commissary, but for various safety reasons have been removed from sale to inmates. Commissary staff stated that they have made several requests to donate or dispose of these items; however, at the time of our audit observations this was not yet addressed by Correctional Center management.

Dollar Values for Unknown Commissary Items Located at Obsolete Commissary Locations Remain on the Books:

Auditor review of Commissary profit and loss statements revealed that monetary values for Commissary inventory located at Correctional Center buildings which are no longer part of the

⁴⁵ Per conversation with the Inmate Accounts Unit, "Free" = Utilized to decrease inventory for items taken by Commissary Inmate Workers as payment for their work in the Commissary. Free is also utilized for Indigent Inmate Orders. "Damaged" = Utilized to decrease inventory for damaged goods. "Stolen" = Utilized to decrease inventory for stolen goods.

⁴⁶ Please note: these amounts are unaudited and are listed as they appeared in the system.

Findings and Recommendations

Commissary's operations were still being recognized. According to the year-end profit and loss statements for 2017, 2018 and Jan-July 2019, the A Building held Commissary inventory worth \$109 and the D Building held Commissary inventory worth \$65. These amounts remained unchanged from their opening balances to their closing balances during this entire timeframe.

Auditors requested supporting documentation to substantiate these balances, however, the Correctional Center was unable to provide any further details to explain items attributed to these balances. Despite the small dollar values of these balances, the fact that they still exist on the Commissary's records further shows weaknesses in the internal controls over Commissary inventory; items are not being routinely monitored, inventoried or reconciled and dollar values for unknown items are allowed to remain on the books.

Audit Recommendations:

We recommend:

- a) The Correctional Center establish policies and procedures for maintaining and reconciling Commissary inventory;
- b) Commissary items taken for inmate worker allowances should be properly accounted for to reduce Commissary inventory;
- c) Commissary staff perform regular (i.e. monthly) inventory reconciliations to verify that the quantity of items listed in their computer system agrees with the physical inventory present within the Commissary. Any discrepancies found during the inventory reconciliation process should be recorded, investigated, and reported to the Commissary's supervising Officers;
- d) Correctional Center management create policies and procedures for handling the donation and/or disposal of unsaleable Commissary inventory; and
- e) Commissary inventory reported at any non-functioning Correctional Center locations should be further investigated and rectified to generate accurate monetary values for profit and loss statement analysis.

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AUDIT FINDING (12)

(12) Indigent Inmate Items were Not Purchased in Accordance with Minimum Standards and were Not Maintained Separately from Saleable Commissary Items

Items for indigent inmates were not purchased with facility funds as required by minimum standards and the inventory of these items was not maintained separately from all other Commissary stock.

According to the NYSCOC minimum standards and regulations, “Each local correctional facility shall make available to indigent prisoners at facility expense stationery and postage for at least two one-ounce pieces of correspondence each week. Each facility shall make available for purchase by prisoners both stationery and postage.”⁴⁷ However, based on data obtained from the Nassau County Correctional Center, it appeared that all pre-stamped prisoner envelopes were purchased with Commissary funds, not facility operating funds as required by the standards.

At the Nassau County Correctional Center, an inmate is deemed indigent if they have less than \$2.00 in their account. The Inmate Exchange Form contains three separate checkboxes which an indigent inmate can select to request an “indigent pack” when completing their weekly Commissary order. An indigent pack contains the following items: two (2) 10 oz. envelopes with postage and paper, one (1) toothbrush, and one (1) 3 oz. toothpaste. An indigent pack is given to an inmate who has a fund balance under \$2.00 and whose order would normally be cancelled for lack of funds.

While performing inventory testing, Auditors noted that the inventory of indigent envelopes and for-sale envelopes were co-mingled and not separately maintained in the Commissary’s stockroom. Similarly, toothbrushes and toothpaste were also not maintained separately for indigent items or for-sale items.

As previously discussed in Finding 11, Auditor testing of Commissary inventory found exceptions with 77% of the items tested. During our testing, we found that the inventory of stamped envelopes on hand were 1,195 less than the amount recorded in the Commissary’s computer system.

When discussing indigent inmate orders with a neighboring county’s correctional center staff, Auditors were told that indigent inmate items are purchased with funds from that county’s operating budget and are maintained separate from all saleable Commissary items.

Audit Recommendations:

We recommend:

- a) Items given to indigent inmates should be purchased at facility expense as required by NYSCOC minimum standards;

⁴⁷ 9 NYCRR § 7004.2 (a)(b).

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- b) Correctional Center management create a policy requiring the inventory of indigent items to be maintained separately from the saleable Commissary items to strengthen inventory controls and obtain greater oversight of items which are given to inmates for free; and
- c) The Correctional Center's return address be pre-printed on all Commissary and indigent envelopes to prevent potential pilferage.

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AUDIT FINDING (13)

(13) There is Insufficient Control Over the Tracking of Inmate Worker Hours and Disbursement of Commissary Items to Inmate Workers

Auditor review of Commissary inmate worker procedures found insufficient control over the tracking of inmate worker hours and the distribution of Commissary items to inmate workers.

The Commissary utilizes the services of inmate workers to assist with stocking inventory and the packaging of orders for weekly delivery. Auditor review of this process revealed the following deficiencies which are separated by topic below:

Correctional Center Management was Unaware of Inmate Worker Compensation:

During the Entrance Conference, Auditors were incorrectly informed by Correctional Center management that inmate workers who perform duties in the Commissary do not receive any form of payment from the Commissary and are not granted any Commissary items for their services.

While Auditors were observing Commissary operations and speaking with Commissary staff, they were told that Commissary workers receive a \$5 allowance for each day they worked in the Commissary⁴⁸. This allowance is then redeemed at the end of the week, where an inmate worker will complete an Inmate Exchange Form and is allowed to receive up to a \$25 maximum of Commissary items as a payment for their services.

Based on the Commissary use of three to four inmate workers per week, Auditors estimated the potential value of Commissary items distributed to inmate workers amounted to about \$3,900-\$5,200 annually, or \$11,700-\$15,600 during the scope of our audit. However, as previously stated in Finding 11, the dollar value for free Commissary goods as reported on JCON generated Profit and Loss Statements amounted to \$58,367 for 2017, \$10,599 for 2018 and \$5,509 for January to July 2019⁴⁹; significantly higher than our initial estimates. The Correctional Center was unable to generate subsidiary system reports to substantiate any additional details related to these balances (Refer to Finding 15). Commissary management should have been aware of this practice and its financial impact.

No Timesheets or Work Logs for Inmate Workers:

Commissary staff was unable to produce any work schedules, timesheets or logs to denote which inmates worked in the Commissary and what days and hours they worked. The only form of documentation available to support inmate worker claims were Inmate Exchange Sheets completed by the inmate workers with their name, housing location, total amount that they earned for the week and the items they received as payment for their services. (Note: These are the same forms all other inmates complete for their weekly Commissary orders). These forms were undated and unsigned by the inmate workers and they were not signed by a supervising Correction Officer. The

⁴⁸ The Commissary utilized the services of three to four inmate workers per week, for approximately five days at six hours per day, to assist with stocking inventory and packaging inmate orders.

⁴⁹ Please Note: These amounts are unaudited and are listed as they appeared in the system.

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lack of inmate worker timesheets was previously noted in the last Comptroller's Commissary audit which was released in 2013.

Timesheets are needed to verify the dates and times that inmates spent working at the Commissary since the inmate workers may accrue up to a \$25 weekly allowance which may be redeemed towards Commissary items.

Commissary Inventory Was Not Adjusted for Inmate Worker Allowances:

As previously discussed in Finding 11, Commissary inventory was not adjusted for inmate worker allowances after the new accounting system was implemented in August 2019.

Audit Recommendations:

We recommend:

- a) Timesheets and work logs be utilized to track the days and hours inmates worked in the Commissary;
- b) Correctional Center management overseeing the Commissary's operations communicate with staff to prevent any further misunderstandings or operational inconsistencies;
- c) Commissary items received by inmate worker allowances be properly accounted for by entering such items into the Commissary's computer system to reduce Commissary inventory; and
- d) All Inmate Exchange Forms utilized to track Commissary inmate worker allowance orders should be properly completed and dated.

AUDIT FINDING (14)

(14) The Correctional Center Has Failed to Create Written Policies and Procedures for Commissary and Inmate Accounts Operations Which Has Been Previously Noted as Audit Issues in Reports Released in 2000, 2004 and 2013

The Nassau County Correctional Center has failed to create and distribute to its staff written policies and procedures for any and all functions related to the Commissary and Inmate Accounts. The issue of undocumented policies and procedures have been previously noted in prior Nassau County Comptroller audit reports which were released in 2000, 2004 and 2013. Many of the issues identified in this report can be attributed to staff from the Commissary and Inmate Accounts Units not having any written guidance on how certain procedures should be performed.

Based on discussions with Correctional Center staff and the nonexistence of requested items, Auditors have noted that the Correctional Center has failed to develop and distribute to staff written policies and procedures relating to the following operations of the Commissary and Inmate Accounts:

- Collection and Recording of Inmate Money;
- Processing of Cash Receipts;
- Procurement/Purchasing;
- Cash Disbursements;
- Allocation of Staff Payroll as a Commissary Expense;
- Inmate Commissary Workers;
- Processing and Distribution of Inmate Commissary Orders;
- Inventory Management and Reconciliation of Commissary Items;
- Fixed Assets Management for Purchases made with Commissary Profits;
- Profit and Loss Statement Preparation and Analysis; and
- Bank Reconciliations.

Written policies and procedures would provide Correctional Center management with standardized guidelines to instruct its staff on how to perform their daily operations in a consistent manner. Without such written guidelines, Correctional Center staff may be performing functions incorrectly without management's knowledge since there are no set rules which must be followed. Such inconsistencies can ultimately have a negative financial impact on the Commissary or Correctional Center as a whole.

For example, during the Entrance Conference Auditors were told by Correctional Center management that inmate workers who perform duties in the Commissary do not receive any form

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of payment from the Commissary and are not granted any free Commissary items for their services. However, while observing Commissary operations and speaking with Commissary staff, Auditors were told that Commissary inmate workers receive a \$5 allowance for each day they worked in the Commissary. This allowance is then redeemed at the end of the week, where an inmate worker is allowed to receive up to of \$25 of Commissary items as a payment for their services. For more information on this issue see Finding 13.

During the scope of our testing the Correctional Center implemented a new computer system which, amongst many other functions, altered the way inmate deposits, inmate expenses, Commissary inventory and Commissary inmate orders are processed. Discussions with various Correctional Center staff revealed that despite initial training on the new system, no policy and procedure manuals were disseminated to staff on how each function must be performed.

The issue of undocumented policies and procedures has been brought to the Correctional Center's attention numerous times in the past. The Nassau County Comptroller has previously released several audits of the Nassau County Correctional Center's Commissary operations which identified a lack of written policies and procedures. However, to date, no corrective action has been taken to address this very significant issue.

- A report released on September 8, 2000, which covered the period of 1997-2000⁵⁰, identified that "There are no written procedures covering the accounting and maintenance of bank accounts, cash disbursements, accounts payable and purchases." As a result, the report recommended that "To ensure adequate internal controls, the Correctional Center should establish written procedures covering the accounting and maintenance of bank accounts, cash disbursements, accounts payable and purchases."
- On June 21, 2004 a follow up report was issued pertaining to the Comptroller's September 8, 2000 Commissary report⁵¹. This report found that "The Correctional Center did not adequately address these control issues. Although it agreed to establish procedures as quickly as possible, three years have passed, and the recommended procedures have not been written." As a result, the report recommended again "To ensure adequate internal controls, the Correctional Center should establish written procedures covering the accounting and maintenance of bank accounts, cash disbursements, accounts payable and purchases."
- The most recent Nassau County Comptroller report on Commissary Operations was released in 2013 and covered the period of 2010-2011⁵². Amongst its findings, the report found "...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." Additionally, the report noted that "While State guidelines cover the distribution of goods to indigent inmates, no written procedures govern the distribution of free Commissary goods to inmate workers." Once again, the Comptroller recommended that the Nassau County Correctional Center

⁵⁰ Examination of Nassau County Correctional Center Commissary Operations – Limited Review Report (1997 -2000) – Released September 8, 2000.

⁵¹ Nassau County Correctional Center Commissary Operations: Follow-up to Audit Report of September 8, 2000 – Released June 21, 2004.

⁵² Audit of the Nassau County Correctional Center Commissary Operations – Released December 20, 2013.

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“develop written procedures covering inmate revenue collection, reconciliation processes and Commissary disbursements.”

The impact of unwritten policy and procedures is further compounded with any staff attrition or illness the Correctional Center may experience over time. Without written policies and procedures, a succession plan cannot be properly implemented and institutional knowledge on how certain functions are performed are permanently lost when the staff leaves. The risk of such inefficiencies can be mitigated by educating staff with standardized written processes.

Audit Recommendation:

We recommend the Nassau County Correctional Center management immediately develop and distribute to the staff written policies and procedures for all Commissary and Inmate Accounts functions including, but not limited to, the following:

- Collection and Recording of Inmate Money;
- Processing of Cash Receipts;
- Procurement/Purchasing;
- Cash Disbursements;
- Allocation of Staff Payroll as a Commissary Expense;
- Inmate Commissary Workers;
- Processing and Distribution of Inmate Commissary Orders;
- Inventory Management and Reconciliation of Commissary Items;
- Fixed Assets Management for Purchases made with Commissary Profits;
- Profit and Loss Statement Preparation and Analysis; and
- Bank Reconciliations.

AUDIT FINDING (15)

(15) The Correctional Center's Antiquated Accounting System Lacks Key Commissary Cost Reporting and Analytical Capabilities for Management Oversight

The accounting system used by the Correctional Center to monitor Commissary operations was found to be insufficient. The system is unable to produce financial reports which fully substantiate all purchases, sales and expenditures as required by NYSCOC minimum standards.⁵³

For the majority of the scope of the audit the Correctional Center used a computer system known as the Inmate Tracking System ("JCON")⁵⁴, a mainframe-based accounting system, for all the accounting needs of the Inmate Accounts Unit and Commissary. As noted in the 2013 Comptroller's audit, this system is "...outdated and in need of replacement." A new computer system, the Incarceration Management and Cost Recovery System ("IMACS")⁵⁵ was implemented in August 2019. However, the new IMACS system did not include a module for processing Commissary purchases. There is no cross-communication between these two accounting systems.

In relation to Commissary operations, IMACS is being used only for Inmate Accounts transactions and Commissary inventory. **The previous JCON system is still being used to process expenses for the Commissary.** Since the production version of JCON was officially shut down when IMACS was implemented, Commissary purchases were being input into a test environment within JCON, which further limited reporting functionality. As a result, Auditors were only provided with JCON system reports through July 2019. Similar data was not capable of being exported from IMACS since expenses are not recorded in the new system.

Customized financial reports were unable to be run from JCON to determine a multitude of financial information. Correctional Center staff was unable to provide any analytical sales reports from JCON or IMACS to detail individual items sold at the Commissary, the quantity of items sold, gross sales amounts and overall profits earned from each item. This type of analytical data should be used as a benchmark for determining the individual sales price of items.

The Correctional Center provided Auditors with paper check registers generated from JCON, which listed the check number, date, payee and amount for all disbursements made from the Inmate Exchange Account for the audit period. However, this information did not contain any details as to the category of the expenses. Similarly, **based on the data provided, Auditors could not determine whether the individual expenses were related purely to the operations of the Commissary or instead were an expense made with the profits earned by the Commissary.**

Correctional Center staff provided reports generated from JCON which displayed the total expenses made from the Commissary's bank account, by category, for either "Commissary Expenditures" (i.e. Commissary operating expenses) or "Disposition of Profits" (i.e. expenses

⁵³ 9 NYCRR § 7016.1 (d).

⁵⁴ The Correctional Center's previous accounting system, the Inmate Tracking System ("JCON"), was designed approximately 30 years ago by the Nassau County Office of Information Technology and was utilized for all Correctional Center accounting functions until the implementation of IMACS in August 2019.

⁵⁵ The Incarceration Management and Cost Recovery System ("IMACS") was implemented on August 10, 2019. The first day Commissary orders were processed in IMACS was August 19, 2019.

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made with the profits generated from the Commissary for the health and welfare of the prisoners). However, **these reports only included the totals per category and the Correctional Center was unable to provide any additional reports or further detail to explain how each individual expense corresponds to the categories listed in the reports.**

Based on the data provided, Auditors were also unable to cross reference these reports to the paper check registers to determine which individual checks correlate to each category of expense. Additionally, Auditors found irreconcilable differences between the report totals when comparing data in these reports to the paper check registers. As previously noted in Finding 8, this data limited the Auditors ability to test cash disbursements for compliance with the NYSCOC minimum standards.

Exhibit X below illustrates the categories of expense made from the Commissary’s bank account for “Commissary Expenditures” (i.e. Commissary operating expenses) from 01/2017 – 07/2019, as noted in the Correctional Center’s system reports.

Exhibit X

Nassau County Correctional Center Commissary Expenditures By Category 2017-2019			
Categories	2017	2018	Jan - July 2019
Cake and Snacks	\$253,779	\$240,435	\$142,280
Cookies	\$10,205	\$82,458	\$29,215
Beverages	\$23,903	\$32,790	\$17,557
Spreads	\$79,008	\$101,910	\$59,012
Candy	\$200,335	\$174,870	\$105,526
Radio & Accessories	\$4,030	\$0	\$0
Stationery	\$41,898	\$32,168	\$17,578
Miscellaneous	\$12,004	\$12,830	\$6,250
Toiletry Articles	\$29,591	\$37,415	\$16,869
Clothing Items	\$11,973	\$13,177	\$5,000
Total	\$666,726	\$728,053	\$399,287

Note: All figures have been rounded to the nearest whole dollar.

“Commissary Expenditures” are the Commissary’s operating expenses.

Exhibit XI below illustrates the categories of expense made from the Commissary’s bank account for “Disposition of Profits” (i.e. expenses made with the profits generated from the Commissary for the health and welfare of the prisoners) from 01/2017 – 07/2019, as noted in the Correctional Center’s system reports.

Findings and Recommendations

Exhibit XI

Nassau County Correctional Center Commissary Disposition of Profits By Category 2017-2019			
Categories	2017	2018	Jan - July 2019
Equipment 2	\$10,843	\$10,603	\$5,749
Commissary Supp #2	\$1,600	\$1,970	\$432
Legal Services	\$0	\$0	\$0
Commissary Supplies	\$14,265	\$13,596	\$10,540
Clothing/Indigent	\$8,119	\$8,446	\$4,372
Prison Industries	\$0	\$0	\$0
Recreation	\$2,458	\$2,185	\$1,857
Newspapers	\$28,525	\$22,394	\$9,669
Equipment	\$3,932	\$3,474	\$1,520
Law Library	\$48,317	\$50,057	\$28,727
Rehab Programs	\$10,743	\$11,499	\$5,560
Film Rental	\$5,885	\$5,933	\$5,558
Carfare	\$4,239	\$5,134	\$2,443
Equipment Repairs	\$7,128	\$5,075	\$2,150
Miscellaneous	\$281,150	\$246,245	\$105,892
Total	\$427,204	\$386,611	\$184,469

Note: All figures have been rounded to the nearest whole dollar.

"Disposition of Profits" are the expenses made with the profits generated from the Commissary for the health and welfare of the prisoners.

It should also be noted that, on average, over 62% of all Commissary Disposition of Profits are categorized as "Miscellaneous" with no further information available via system reports to explain what these purchases represent.

As noted in Exhibit XII below, **Auditors have found irreconcilable differences between the total combined expenses noted between the JCON Commissary Expenditures and Commissary Disposition of Profit reports when compared to the Commissary's check registers.**

Findings and Recommendations

Exhibit XII

Nassau County Correctional Center Commissary Expenses vs. Check Registers 2017-2019			
JCON Expenses Categories	2017	2018	Jan - July 2019
Commissary Expenditures (1)	\$666,726	\$728,053	\$399,287
Dispositions of Profit (2)	\$427,204	\$386,611	\$184,469
Total JCON Expenditures	\$1,093,930	\$1,114,664	\$583,756
Check Register Net Expenses*	\$1,089,184	\$1,088,759	\$570,637
Difference	-\$4,746	-\$25,905	-\$13,119

(1) "Commissary Expenditures" are the Commissary's operating expenses.

(2) "Disposition of Profits" are the expenses made with the profits generated from the Commissary for the health and welfare of the prisoners.

* Check register expenses are net of any voided transactions.

Note: All figures have been rounded to the nearest whole dollar.

Audit Recommendations:

We recommend:

- a) Correctional Center management investigate if the newly implemented IMACS system can be upgraded to include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics and analytical data to help Correctional Center management efficiently run the Commissary.
- b) If "recommendation a" above is not possible, the Correctional Center should work with the Nassau County Office of Information Technology to replace the Inmate Tracking System (JCON) with a new accounting system that complies with New York State regulations to fully substantiate all Commissary purchases, sales and expenditures⁵⁶. The possibility for use of an off-the-shelf accounting software package should be investigated.

⁵⁶ 9 NYCRR § 7016.1 (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."

AUDIT FINDING (16)

(16) Profits Resulting from Commissary Sales are Not Deposited in a Separate Bank Account as Required by Minimum Standards

Profits generated from the Commissary are not deposited in a separate bank account as required by New York State Commission of Correction (“NYSCOC”) minimum standards. The Correctional Center was unable to distinguish to Auditors what expenses were made for operational costs and what expenses were made with Commissary profits for purposes of prisoner welfare and rehabilitation.

The NYSCOC minimum standards require 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.”⁵⁷

During our review Auditors noted that the profits from Commissary sales were co-mingled with the Commissary’s operating expenses and deposited into one bank account. The Correctional Center maintained two checking accounts, at two different banks, for the Commissary and Inmate Accounts during the scope of our audit:

1. “Inmate Exchange Account” – one checking account utilized for both Commissary operations and Commissary profits.
2. “Inmate Account” – one checking account used as an institutional fund account maintained on behalf of every inmate, where deposits for any prisoner funds received are made⁵⁸. This one checking account consist of multiple sub-ledgers for each inmate’s personal account balances. The funds from the Inmate Account are utilized by inmates to pay for their Commissary orders, postage, and disciplinary fees among other charges. The money within this account belongs to the inmates and is held in trust by the Correctional Center. Inmates may withdraw their money when they are released from the Correctional Center or transferred to another institution.

Auditors discussions with Commissary staff from two neighboring county’s correctional centers revealed that both facilities utilize a separate bank account to solely maintain the profits generated from their commissary’s sales. By depositing these profits in a separate bank account these facilities were able to separately account for the utilization of their profits regarding any purchases related to prisoner welfare and rehabilitation.

Auditors attempted to gain information from the Correctional Center to separately itemize the financial activity for the Commissary’s operating expenses and the Commissary’s profits. The Correctional Center provided Auditors with a check register for the audit period, which listed the check number, date, payee and amount for all disbursements made from the Inmate Exchange Account.

As previously noted in Findings 8 and 15, Auditors compiled the data supplied by the Correctional Center and determined that the Commissary spent a total of \$1,089,184 in 2017, \$1,088,759 in

⁵⁷ 9 NYCRR § 7016.1 (c).

⁵⁸ 9 NYCRR § 7016.2 (a).

Findings and Recommendations

2018 and \$888,172 in 2019 from the Inmate Exchange Account. However, this information did not contain any indication that the individual expenses were related to the operations of the Commissary or were expenses made from the profits earned by the Commissary. Similarly, the Correctional Center was unable to provide any additional data to substantiate this information.

As a result, Auditors were unable to distinguish between the expenses paid from the Commissary's Inmate Exchange Account for the operational costs of running the Commissary and the expenses paid from the Commissary profits for purposes of prisoner welfare and rehabilitation. As previously noted in Finding 8, this also effected the Auditors ability to test cash disbursements for compliance with the minimum standards.

As discussed in Finding 2, Auditors also found issues with the Correctional Center's calculations on the Commissary's profit & loss statements. Since the profit and loss statements are the only documents where profit data is calculated, and since a separate account is not maintained to individually account for profits, Auditors believe the profits displayed by the Commissary during the scope of the audit were inaccurate and profits may have been overspent.

Audit Recommendations:

We recommend that the Nassau County Correctional Center open a new bank account to solely account for the profits resulting from the Commissary's activities as required by NYSCOC minimum standards to ensure there is no co-mingling of the Commissary operation funds and Commissary profits. All previously identified profits which have not yet been spent on prisoner welfare and rehabilitation should be transferred into this new bank account.

Findings and Recommendations

AUDIT FINDING (17)

(17) Counterfeit Money Detection Safeguards Are Not Being Utilized at the Initial Point of Cash Collection

Auditor observation and discussion with Corrections Officers collecting money at multiple Correctional Center visitation sites and the mail room has revealed that counterfeit detection safeguards are not being utilized at the initial point of cash collection.

Over \$1.0 million dollars per year is deposited into the inmates' accounts. Money is received on behalf of inmates every day from five (5) different locations⁵⁹ at the Correctional Center. Acceptable forms of receipts consist of money order, certified check or cash (no personal checks or law firm checks are accepted). Auditors accompanied staff from the Inmate Accounts Unit to multiple visitation sites throughout the Correctional Center and the mail room and observed the daily cash collection and reconciliation process performed by Inmate Account staff for the eventual deposit of inmate funds. For a complete breakdown of the cash receipt process see Appendix D.

While performing these observations, numerous Corrections Officers made requests to Auditors for some type of device to check for counterfeit bills. The Corrections Officers did not have any counterfeit money detection markers, pens or machines to verify the legitimacy of collected cash; their counterfeit bill testing was performed based on the physical condition or feel of the bills collected. Without these devices, there is an increased risk that counterfeit money could be collected and processed for deposit into the Inmate Account.

Staff from the Inmate Accounts Unit consolidates all the daily collected funds from the various locations before running the funds through a money counting and counterfeit detection machine. However, this counterfeit verification is performed too late in the process, after the funds are already consolidated, which negates the ability to identify which individual deposit may have consisted of counterfeit bills.

It should be noted that the County Treasurer utilizes counterfeit bill detection machines in the daily operation of the department. With that said it may be prudent for the Correctional Center to also purchase and utilize these counterfeit bill detection machines at each of its cash collection sites.

Audit Recommendations:

We recommend that the Correctional Center:

- a) provide Corrections Officers with counterfeit money detection machines at all locations where money is received; and
- b) analyze all money upon receipt to determine if any bills are counterfeit, prior to the collection and booking of funds to an inmate's account.

⁵⁹ (1) Admit & Discharge ("A&D Desk"): money collected from inmates upon initial admission to the Correctional Center; (2) A Building: money collected for bail or Inmate Account deposit; (3) D Building: money collected from visitors for Inmate Account deposit prior to visitation at the D Building; (4) E Building: money collected from visitors for Inmate Account deposit prior to visitation at the E Building; (5) Mail Room: money collected for Inmate account deposit received via mail.

APPENDICES

Appendix A - Inmate Accounts' "Trips" Running Balance Tape as of 2/10/2020

The chart below is a digitized scan of the adding machine tape provided to Auditors by the Inmate Accounts Unit to substantiate the \$10,896.28 trips balance listed for the Accountant I's cash drawers on February 10, 2020. See Finding 4.

		Appendix A (p. 1/1)
0.006		000
301 01		0.006+
5.3		11/15/20 13,497.07 +
12 0		131.75 -
99 0		209.52 +
		70.00 +
		183.25 +
		57.98 +
		306
		13,886.076 +
		201.49
		60.00
		0.006+
		14147.56
		2222.47
		11925.09
		38.24
		11963.33
		rip
		mutual - 300.62
		+ 176.04
		11838.75
		- 386.64
		11452.11
		- 1410.62
		10041.49
		28.00
		10061.49
		50.31
		169.19
		46.00
		10326.99
		504.06
		10831.05
		200
		11031.05
		- 439.40
		+ 155.00
		10746.65
		- 7.29
		10739.36
		35
		10774.36
		26
		10800.36
		95.92
		10896.28
		↑
		2/10/2020 "Trips" Balance

The following is the Nassau County Comptroller’s Control Directive 1: Petty Cash Accounts. See Finding 4.

CONTROL DIRECTIVE 1: PETTY CASH ACCOUNTS

**Issued by:
NASSAU COUNTY
OFFICE OF THE COMPTROLLER**

A. Introduction

This Directive, applicable to all County departments, is issued pursuant to the Nassau County Charter, which authorizes the County Comptroller to “keep and supervise all accounts which may be required for purpose of administrative direction and financial control.” [The Nassau County Charter §402(1)] and “prescribe the form of...any accounts or records of financial transactions which may be maintained by any department, institution, office, or department of the county apart from, or subsidiary to, the general accounts.” [The Nassau County Charter §402(7)]

Petty cash accounts are subject to audit by the Comptroller’s Office for compliance with this Directive.

B. Background

New York County Law authorizes petty cash accounts for County departments, the establishment and closure of which must be legislatively enacted.¹

The size of the petty cash account is dependent on the operational needs of departments, which are also encouraged and expected to minimize account amounts by carefully monitoring disbursement activity and fund replenishment. The County Treasurer physically furnishes departments with currency after approval by the Comptroller.²

C. Establishing a Petty Cash Account

A department seeking to establish a petty cash account must:

- Submit a written memorandum to the County Attorney requesting that a resolution be written and presented to the County Legislature for approval. Notification of legislation should be sent to the Comptroller’s Office, as well as notification of legislative approval.
- After approval, departments should request a new vendor identification number from the Comptroller’s Office-Vendor Claims Section. Vendor Identification numbers allow for codified data entry in the accounting software.
- Lastly, departments must submit a claim voucher to the Comptroller’s Office in the approved amount for the new account. Departments must code the voucher document as “VB” (balance sheet voucher) claim. VB claim documents are vouchers paid against a general ledger account.
- After the Comptroller’s Office approves the claim voucher, the County Treasurer furnishes departments with a check made out to “Petty Cash Fund” of the Department. The custodian cashes the check at a bank using his or her Nassau County Employee Identification Card.

D. Guidelines for Managing a Petty Cash Account

Guidelines pertaining to basic petty cash account management are as follows:

- Pre-approval should be obtained by the department head or his/her designee prior to making petty cash purchases.
- Individual purchases must not exceed \$500.00, **unless—**
 - a. the department’s petty cash account is authorized for the purpose of making change (i.e. Parks Department) and/or
 - b. petty cash spending limits would compromise the integrity of department operations (i.e. police investigations)
 - If it is impractical to receive approval prior to exceeding the spending limit in order to preserve the integrity of department operations, a memorandum explaining the necessity of the purchase should be filed by the purchaser following the transaction. This memorandum is subject to review by department heads and the Field Audit Department.
- Purchases may not, under any circumstances, be split in order to evade the \$500.00 single purchase limit.
- Petty cash reimbursement requests need to be supported with adequate and appropriate documentation (e.g. sales slips, receipts), and petty cash voucher form #CO-2519.
- Departments may not use petty cash accounts to procure supplies that are readily available from and/or provided by the County.
- Departments may not use petty cash accounts to circumvent the County’s procurement policy and procedures.

An annual verification process of petty cash, as stated below, should include department heads or their designees conducting periodic unannounced audits. In addition, this annual process should include a formal, independent reconciliation of the petty cash account.

E. Requesting Increase in Petty Cash Account

A department wishing to increase a petty cash account must:

- Submit a written memorandum to the County Attorney requesting that a resolution be written and presented to the County Legislature for approval. Notification of legislation approval should be given to the Comptroller’s Office.
- Prepare and submit a VB-type claim document to the Comptroller’s Office in the approved increase amount.

It should be noted that an increase in petty cash account balance does not override the \$500.00 single purchase limit set by the County Executive.

F. Replenishing a Petty Cash Account

Departments that deplete their petty cash accounts must complete a VM claim voucher for the amount to be replenished, and then enter the claim in NIFS. The claim voucher, along with all receipts justifying the expenditures that resulted in the depletion of the petty cash account, must be submitted to the Vendor Claims section of the Comptroller’s Office. After the Comptroller’s Office approves the claim voucher, the County Treasurer furnishes departments with a check made out to “Petty Cash Fund” of the Department. The custodian cashes the check at a bank using his or her Nassau County Employee Identification Card.

G. Segregation of Account Duties

Due to the nature of the fund, petty cash accounts have inherent high potential for misuse. As such, it is imperative that account functions be adequately distributed. No single employee should be responsible for all aspects of account maintenance. If feasible, the duties of authorizing disbursement, recording transactions, and maintaining custody of the funds should all be handled by different personnel.

- **Petty Cash Account Operating Procedures and Internal Control Measures**

Departments must establish and document their petty cash internal control measures.

For all petty cash accounts, at minimum:

- A petty cash record is kept containing the following information:
 - Name of individual receiving the disbursement
 - Date of disbursement
 - Purpose of disbursement
 - Amount of disbursement
 - Signature of individual receiving disbursement
 - Receipt or other valid proof of purchase
- The record must be reconciled to show petty cash on-hand plus receipts equals the original petty cash fund at least once per month.
- The record is subject to unannounced audits by the Field Audit Department or the department head or his/her designee. It is recommended that department heads or their designees conduct periodic unannounced audits.

Appendix B – Comptroller’s Control Directive 1: Petty Cash Accounts

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- Separate records must be established for each petty cash account, in agencies with more than one account.
- Petty cash must be kept in a locked safe, completely contained in a lockbox or other secure, locked receptacle. Two sets of keys are to be maintained. One will remain with the custodian and the other set should be safeguarded by department head or his/her designee.
- Access to funds must be limited to one custodian for each petty cash account, appointed by the respective department head.
- Petty cash vouchers (Form CO-2519) must be properly completed and maintained in orderly fashion, along with supporting documentation attached, to evidence transactions.
- Each department should document the names of personnel assigned specific tasks and responsibilities. In addition, the names of primary and alternate petty cash custodians, and any subsequent changes in assigned account duties, must be submitted to the Comptroller’s Vendor Claims Assistant Fiscal Officer. A formal, independent reconciliation of the account should be performed with every change in personnel responsible for custodial duties.
- Departments must immediately report missing, stolen, or otherwise unaccounted for currency to the Comptroller’s Office and the bank (if checks used).

In addition, for accounts utilizing checks:

- Checks may never be drawn to “Bearer” or “Cash,” and must never be issued without a specific payee entry.
- Bank statements must be reconciled every month. Voided checks must be noted on the reconciliation statement, and outstanding checks must be recorded, showing the date issued and amount.
- Should any check remain outstanding for more than sixty (60) days, the department must contact the vendor to determine the check’s status, and if necessary, place a stop payment order with the bank and issue the vendor a new check. All such transactions must be recorded in the petty cash account log.
- Missing, stolen, or checks otherwise unaccounted for must be reported immediately to the bank and the Comptroller’s Office.

H. Approved Uses and Expenditures

Petty cash accounts may only be expended for legitimate business purposes in accordance with New York County Law 371 and applicable county ordinance. Departments should refer to “Improper Uses and Expenditures” below for examples of improper uses of petty cash.

Control Directive 1: Petty Cash Accounts

Updated: February 2020

Petty cash accounts may be used to pay or reimburse employees for pre-approved work-related expenditures within petty cash limits, such as:

- Postage;
- Travel and transportation costs, conference and convention, meeting, transportation, limited travel mileage reimbursement and similar costs;
- Meal reimbursement authorized by Ordinance No. 94-1985; and
- Purchase of certain non-personal supplies, services, and equipment.

I. Improper Uses and Expenditures

Department petty cash accounts may only be expended for legitimate and essential business purposes. Petty cash accounts, under no circumstances, may be used to serve any of the following purposes:

- Split purchases of items, which if purchased together would exceed the \$500 petty cash purchase limit, unless authorized by the County Executive or designee;
- To procure supplies readily available from and/or provided by the County, unless the department head or designee provides a written explanation of the extraordinary circumstances justifying the use of petty cash for the expenditure. Copies of all such justifications must be maintained by the department and are subject to audit by the Comptroller;
- To circumvent the County’s Procurement policy and procedures when procuring goods;
- Salary advances or salary-related payments to employees;
- Personal loans of any nature;
- Cashing of salary and/or personal checks;
- Purchase of alcoholic beverages, and food and beverage purchases prohibited;
- Payment of purchase orders;
- Recurrent monthly expenditures (i.e. rental of office equipment) however, petty cash accounts may be used for on-line subscriptions if necessary and normal procurement procedures are not applicable; and
- Payment of sales taxes-The County is exempt from paying sales tax, with sales tax generally being considered an improper petty cash expenditure. Therefore, unless impractical, before making a purchase with petty cash, employees must present the vendor with sales tax exemption documentation. However, departments may reimburse employees for sales tax expenditures when it would have been impractical not to pay sales tax. (i.e. restaurant meals, taxicab fare). The Purchasing Department can be contacted to obtain current sales tax exemption documentation to be used when making petty cash purchases.

J. Accounting for Petty Cash Expenditures

Employees seeking reimbursement must provide sales receipt(s) or vendor invoice(s) for items purchased, along with a signed petty cash voucher form, to be collected and held by the account custodian. Employee claimants are expected to certify that purchases and payments have been made in accordance with County ordinance, and that no payment or reimbursement is expected from any other source. The department supervisor must also approve the expenditure. Employees must also sign the petty cash disbursement log evidencing that repayment took place.

Control Directive 1: Petty Cash Accounts

Updated: February 2020

K. Petty Cash Shortage

Each department is accountable for its assigned petty cash account. As such, departments are expected to maintain detailed official records including all original supporting documentation. If the fund is ever closed out, the full amount or balance must be returned to the County Treasurer’s Office.

Despite rigorous control recommendations from the County Comptroller’s Office, petty cash fund mismanagement is an unfortunate possibility. The following outline details the steps a department must follow in order to report lost or otherwise unaccounted for petty cash funds after a change in administration.

- Department heads must be notified as soon as petty cash is unaccounted for or missing.
- The department head must draft a memorandum to the County Executive and Comptroller, explaining:
 - a. date and circumstances surrounding the discovery of missing currency;
 - b. internal steps taken to investigate whereabouts of currency; and
 - c. opening balance of account upon receipt by the department head.
- An independent investigation may occur at the request of the Comptroller’s Office. If so, the department head may have to temporarily disallow requests in advance to purchase items that would be reimbursed with petty cash. Further, the department head will have to restrict custodial responsibilities from the current assigned staff employee until the investigation reveals source of missing currency.
- After the investigation and resulting remediation, the petty cash fund will need to be replenished. The department head will need to forward the Comptroller’s Office a memorandum explaining the occurrence and corrective measures. He or she should include any other petty cash account documentation. Pending close scrutiny of the situation, the Comptroller’s Office will certify the memorandum and notify the Treasurer to replenish the department’s petty cash account.
- Records of the department’s action will remain on file with both the Comptroller’s and County Executive’s Offices.

END NOTES

1. New York County Law § 371 (1) (2003).
2. Nassau County Administrative Code § 8-16.0, (130) (1994), Nassau County, New York, Ordinance No. 94-1985 § 1-3 (1994).

The following is the Nassau County Comptroller’s Control Directive 3: Cash Receipts. See Finding 9.

CONTROL DIRECTIVE 3: CASH RECEIPTS

**Issued by:
NASSAU COUNTY
OFFICE OF THE COMPTROLLER**

A. Introduction

This Directive, applicable to all County departments, is issued pursuant to the Nassau County Charter, which authorizes the County Comptroller to “keep and supervise all accounts which may be required for purpose of administrative direction and financial control,” [The Nassau County Charter §402(1)] and “prescribe the form of...any accounts or records of financial transactions which may be maintained by any department, institution, office, or department of the county apart from, or subsidiary to, the general accounts.” [The Nassau County Charter §402(7)].

To protect the County’s financial resources as well as federal and state financial resources entrusted to the County, departments must implement stringent cash controls. Since cash is the asset most susceptible to misappropriation and loss, agencies must exercise the utmost of care in handling cash and when accounting for the individual transactions involving cash receipts. Control procedures including tracking, recording and accountability measures, and segregating duties must be implemented to ensure that funds are properly managed, and cash is deposited in a timely manner.

An adequately managed and satisfactory cash receipts and disbursements system demands a distinct segregation of the major administrative duties involved within the various cash handling processes. Specifics on some of the more significant separations of duty requisites are covered in detail in the appropriate section of this Directive.

This directive provides procedures, guidelines, and key controls with respect to **collecting, processing, and recording of cash receipts:**

B. Definition of Cash Receipts

Cash receipts include cash*, debit cards, checks*, credit card charges and electronic funds transfers received in payment for a variety of departmental fees (e.g. park entrance, concessions, license, various County clerk application/service fees, fines, bail, etc.) and revenues (e.g. state and federal aid, intergovernmental transfer payments, reimbursements, sales taxes, mortgage taxes, event taxes, Health and Drug & Alcohol patient and Medicaid reimbursement, etc.).

*Note: Aside from Parks Department, other County departments should limit or restrict actual cash transactions. This will eliminate opportunity for mishandling and/or missing cash. Additionally, personal checks should be limited or restricted in order to prevent follow up collection for bounced transactions. Instead, the collection of certified and / or money orders should be encouraged however, on-line and electronic payments are preferred.

C. Cash Receipt Process

At MINIMUM, departments should implement the following cash receipt processing measures. Departments are encouraged to develop additional individual measures of control, as well as request further assistance and guidance from the Comptroller’s Office if needed.

Procedures

To ensure the integrity of cash receipts and collections, departments must establish and document comprehensive procedures for collections, processing and reporting for the entirety of a transaction’s life cycle. Procedures must:

- a. Be established, at a minimum, for the receipt of cash, preparation of daily/weekly cash collection reports, cash deposits, reconciliation of cash deposits to cash collection reports, and recording of cash transactions in the County’s Nassau Integrated Financial System (“NIFS”).
- b. Identify the titles of responsible personnel at every aspect of the life cycle.
- c. Be approved by the department head prior to promulgation.

Note: There are a few situations where County departments are entrusted with funds for federal and state programs mandated purposes but do not record the transactions in NIFS. Instead, the transactions are recorded in other accounting-based applications. In these situations, at least the same standard controls described in this directive should be implemented.

Cash Receipts

The receipt of cash should be centralized whenever possible. The initial record of cash receipts may be a cash register tape, a press-numbered receipts form, a mailroom record, or remittance advice, depending on the department and the nature of its revenues.

a. Manual/Computerized Cash Registers

Manual cash registers should be equipped with a tape on which cash collections are listed and accumulated in sequential order. Two controls that prevent manual cash register tapes from being tampered with: “locking” the machine so that the cumulative total cannot be cleared and turned back, or a register that prints a consecutive, non-resettable, sequential number for each cash transaction. Computerized cash registers automatically generate receipts for each transaction and produce summary totals at the end of the day.

At the close of each business day, an employee other than the cashier should count the cash and verify the amount to the cash register tape (for manual cash register) or summary total sheet (for computerized cash register). This employee should ensure that any voided transactions are properly explained. If applicable, the register tape should be removed and attached to a daily/weekly cash collection summary report.

b. Press-numbered Receipt Forms

Departments must use standard forms to record cash receipts. Serially press- numbered forms and/or cash receipt books must be printed in duplicate and sequentially numbered order. Forms should include space for employees to record the purpose and type of currency received (e.g. cash, check, or money order). Departments must safeguard and track their inventory of forms and ensure the continuance of their forms’ numerical sequence.

Voided or cancelled receipts must be marked in a manner so that they cannot be reused. Voided receipts should be maintained on file to account for the sequence during a reconciliation process. A system of cash control that uses press- numbered receipt forms cannot be effective unless a strict accounting is made of all forms.

At the close of each business day, an employee other than the cashier should count the cash and verify the amount to the total of the sequentially ordered individual duplicate receipt forms. Explanation should be provided for the forms that are missing and/or not in sequence.

c. Debit and/or Credit card payments

An employee other than the employee who originally accepted the debit/credit card payments should tally all the credit card receipts. The employee should compare the tally to the credit card terminal summary report and the Daily/Weekly Cash Collection Reports. The department must maintain supporting documentation on file, such as the credit card terminal summary reports.

The department must record the total amount of charges in NIFS. This information must also be forwarded to the County Treasurer, who in turn will validate and reconcile the information the next day to on-line bank records. (Note: credit card companies will automatically deposit funds into County bank accounts the day after charges are recorded.) The County Treasurer will later reconcile daily submissions to monthly bank statements.

Deposit of Cash Receipts

Cash receipts must be deposited promptly. All cash receipts received from the time of the prior deposit should be deposited at the same time to facilitate reconciliation of deposited amounts to amounts recorded in accounting records. Where possible, departments should adopt the electronic scanning of checks directly into the County’s bank account. The Treasurer will facilitate the implementation of scanning devices within the departments.

Independent lists of checks deposited, and dates of deposit must be maintained so that it is possible to compare deposits with receipt details, thereby identifying potential cash receipt manipulations. Upon verification of checks to the cash receipt listing, cashiers should prepare duplicate deposit tickets. Departments must deposit the cash receipts with the County Treasurer at times designated by him/her or “in no instance less frequently than once a week”³³. Department heads are required to verify that physical and recorded amounts match and must sign off before transfer of funds to the County Treasurer or the bank (for those departments that directly deposit their own cash). The department head should make certain that employees adhere to regularly scheduled drop-off or deposit times.

Debit/Credit card companies will automatically deposit debit/credit card receipts into bank accounts on the business day following the day the credit card charge is incurred. Therefore, it is critical that departments report and post debit/credit card activity into NIFS the same day it occurs so that bank statements can be reconciled accurately.

Undeposited cash receipts must be adequately safeguarded. Pending deposit, the cash should be secured in a safe and only accessible to authorized personnel.

On occasion, checks are returned by the bank as uncollectible after they have been deposited. Checks returned from the bank as uncollectible represent the potential for lost revenue to the County and, as such, should be monitored closely. When this occurs, the reason why the check is not collectible should be noted. The returned checks should come to an employee other than the one making the deposits, preferably the employee responsible for the bank reconciliation. The re-deposit of returned checks should not be made as part of a deposit of current receipts. A separate deposit ticket should be used. This will cause the check to appear separately on the bank statement and thus facilitate orderly bank reconciliation.

Appendix C – Comptroller’s Control Directive 3: Cash Receipts

Page 4 of 5

Every attempt should be made to collect on returned checks. A returned check fee should also be charged. Nassau County Ordinance 120-2005 establishes that all County departments charge a fee for checks returned. Department should enlist a collection agency when after several attempts to collect go unanswered. The Treasurer can recommend collection agencies the County is authorized to transact with on such matters.

Recording of Cash Receipt Transactions

An employee who physically receives the cash should not record the transaction in NIFS. Employees responsible for recording transactions in NIFS should pay special attention to the recording of cash receipts. There are three transactions codes that can be inputted in NIFS for recording cash received:

- a. *Cash received in recognition of earned revenue*
When monies are received as planned (budgeted) or unanticipated (not budgeted), the receipt should be recorded in NIFS as code “708-Cash Receipt Distribution to Revenue”. NIFS will automatically debit “Cash” and credit “Revenue” on the County’s automated general ledger.
- b. *Cash advances*
When the state and/or federal governments advance monies to the County in anticipation of County services being rendered and eventually invoiced, the advance cash receipt transaction should be recorded in NIFS as code “711- Advance Cash Receipts”. NIFS will automatically debit “Cash” and credit “Deferred Revenue” on the County’s automated general ledger. After the transaction is posted, the department must periodically review these outstanding “Deferred Revenue” balances to ensure that the services have not yet been rendered. If services have been rendered, the department must record an offset to the original advance transaction by recording the transaction in NIFS as code “712-Advance Offset” and finally recognizing part of or the entire advance as realized revenue.
- c. *Cash receipts to satisfy outstanding receivable accounts*
Where departments receive cash for services rendered after billing another entity (in most cases, reimbursement from the federal or state government), the transaction must be recorded in NIFS as code “709-Payment Received on Accounts Receivable Invoice”. NIFS will automatically debit “Cash” and credit “Accounts Receivable” on the County’s automated general ledger.

Segregation of Duties

It is important to spread cash receipt and processing duties among several employees to reduce the risk of fraudulent activity. No one employee should have full control over the receipt of cash and/or checks, preparation and reconciliation of daily summaries, depositing of the cash and/or checks, recording the transaction on NIFS and reconciling NIFS account balances to bank statements.

Where duties cannot be segregated, it is important to rotate responsibilities and have increased supervisory review of activities.

Note: The County Treasurer is responsible for reconciling NIFS cash balances to bank statements, and accordingly, this duty is adequately segregated.

Control Directive 3: Cash Receipts

Updated: December 2019

Supervision/Monitoring of Cash Receipts

Departments must prepare daily/weekly cash collection reports to account for the daily/cash receipts, to facilitate independent verification to deposits, and monitor departmental revenues trends. Proper review of activity is a tool management could use to determine whether any changes in weekly revenues warrant additional scrutiny.

Department heads are also encouraged to conduct surprise audits of cash receipt locations to ensure the proper adherence of control procedures.

Lastly, departments should implement monthly performance metric reporting. It should include the comparison of cash receipts against department specific statistics (i.e., park attendance, number of traffic violations, etc.), thus enabling departments to track trends and substantiate the reasonableness of cash receipts. Departments should investigate where cash receipts are not in accord with expected department transaction volume.

END NOTES

- 1 Nassau County Charter §402.1 (2019).
- 2 Nassau County Charter §402.7 (2019).
- 3 Nassau County Charter §2205 (2019).

Appendix D - Cash Receipt Process Breakdown and Auditor Identified Issues

This appendix details the cash receipt process breakdown and issues Auditors identified. See Findings 9 and 17.

Auditors interviewed key staff from the Commissary, Inmate Accounts and Budget & Finance Units and observed cash receipt collection procedures with staff to gain an understanding of the daily cash procedures at the Correctional Center. The following is a detailed breakdown of the entire cash receipts process and any *procedural issues identified by Auditors*:

- Money is received on behalf of inmates every day from five (5) different locations at the Correctional Center:
 - (1) Admit & Discharge (“A&D Desk”): money collected from inmates upon initial admission to the Correctional Center;
 - (2) A Building: money collected for bail or Inmate Account deposit;
 - (3) D Building: money collected from visitors for Inmate Account deposit prior to visitation at the D Building;
 - (4) E Building: money collected from visitors for Inmate Account deposit prior to visitation at the E Building;
 - (5) Mail Room: money collected for Inmate account deposit received via mail.
- Acceptable forms of receipts consist of money order, certified check or cash (no personal checks or law firm checks are accepted).
- The funds are entered into the specific inmate’s account within the Correctional Center’s accounting system at the time of collection by the recipient officer.⁶⁰ A receipt will be printed and given to the individual making the deposit and another copy of the receipt along with the funds will be put in a clear envelope and placed in a drop box safe.
- The following business day staff at the Inmate Accounts Unit (an Accountant I and one Correction Officer (“CO”)) run reports from the accounting system to determine the amount of cash they should be collecting from each location.
 - Different locations accept funds at various times during the day based on their operating hours⁶¹. As such, the amounts collected the next business day from each location may consist of money collected from just the prior day, or a combination of the prior day and current day up to the time of collection.

⁶⁰ Under the Correctional Center’s new IMACS accounting system, funds are recorded in the accounting system when the receipt is created at the initial point of cash collection. However, the transaction will not be booked to be usable by the individual inmate until approved and finalized by the Inmate Accounts Unit. In the previous JCON accounting system funds were immediately available to inmates when initially recorded at the point of cash collection.

⁶¹ The Inmate Accounts Unit typically operates Monday – Friday from 9:00 AM – 4:45 PM, whereas other areas within the Correctional Center operates 24/7 year-round.

Appendix D - Cash Receipt Process Breakdown and Auditor Identified Issues

- *This becomes problematic since there is no set close of business time that is uniformly used throughout the Correctional Center (i.e. if all areas within the Correctional Center close their financial activity at 11:59 PM each day and open the books the following day at 12:00 AM).*
- *The lack of a standardized close of business, which is uniformly followed by all areas within the Correctional Center, also effects the reconciliation that is performed by the Inmate Accounts Unit at the end of each day. The significance of their reconciliation is diminished since numbers cannot be compared from day to day. This topic is discussed in more detail later in this appendix.*
- The Accountant I and CO will travel to four of the five locations each morning to collect the contents of the drop box safes and reconcile/verify each individual deposit to the system reports. The remaining location (Mail Room) will be delivered to the Inmate Accounts Unit later in the day where the contents will also be counted and reconciled to the system report.
 - Any discrepancies between the cash collected and the amount indicated on the report will be adjusted in the accounting system.
 - *Adjustments do not require any supervisory approval. Inmate Accounts staff simply change the amount to what they counted by entering an adjusting entry into the accounting system. This is significant considering Inmate Accounts staff are responsible for depositing these funds into the Inmate Account bank account.*
 - *It was unclear how many instances occurred where adjustments were made for cash collection differences during the scope of the audit. The JCON accounting system (which was used for the past 20+ years until August 2019) was only capable of producing a report displaying all adjusting entries, not just adjustments made by Inmate Accounts staff to correct receipts for collected cash.*
 - *Without supervisory review and approval there is no internal control in place to mitigate errors or prevent Inmate Accounts staff from misappropriating funds.*
- The Accountant I and the CO each maintain a cash drawer. Both employees will place the funds they individually collected into their respective cash drawer after reconciling the amounts collected to the amounts reported in the system for each location. The money in the cash drawers is used to pay inmates when they are discharged⁶² from the Correctional Center. All checks/money orders received will be compiled for eventual deposit.
- Funds will be taken from the cash drawers and compiled for bank deposit at the discretion of each Inmate Accounts Unit employee.
 - *There is no set daily opening/closing balance that each drawer is required to maintain. Per discussion with staff from the Inmate Accounts Unit, each employee should maintain approximately \$10,000-\$12,000 in their individual cash drawers at*

⁶² When discharged, inmates with account balances under \$500 are paid in cash. For balances over \$500, an inmate will be given \$50 cash and a check for the remainder of their funds.

Appendix D - Cash Receipt Process Breakdown and Auditor Identified Issues

the end of each business day. However, the amount of cash that is ultimately maintained in each drawer is left to the discretion of the Accountant I and the CO.

As a result, bank deposits are not prepared daily and are made for arbitrary amounts at the discretion of Inmate Accounts staff. Therefore, deposits cannot be traced back to the daily inmate cash receipts collected which complicates any reconciliations being performed. Cash receipts should be deposited as soon as possible and in the same form as collected as required by the New York State Comptroller⁶³.

- *The lack of a standardized balance for each cash drawer creates a situation where excessive amounts of inmate money may be held by Inmate Accounts staff instead of being deposited in the Inmate Account bank account.*
- The two Inmate Accounts Unit employees independently reconcile their own cash drawers by manually completing an *Inmate Account Balance Sheet* (“Cash Drawer Reconciliation”) at the close of business each day. The Cash Drawer Reconciliations are specific to the individual’s cash drawer and are utilized to reconcile the cash collected for the day, discharges paid out to inmates and deposits prepared, to ultimately determine the closing cash present in each cash drawer. See Appendix E for an example.
 - *The Inmate Accounts Unit employees do not verify each other’s daily work. They do not recount each other’s cash drawers, nor do they verify the information listed on each other’s daily Cash Drawer Reconciliation. Similarly, a Supervisor also does not recount their drawers or verify the information on their Cash Drawer Reconciliations. As a result, there is a significant risk that errors may go undetected. The information from the Cash Drawer Reconciliation is rolled into the next day. Any errors not discovered can be carried forward for an indeterminable amount of time, thus increasing the opportunity for potential misappropriation of funds.*
- At the end of the business day the information from the two Cash Drawer Reconciliations, along with other daily financial activity listed below, is manually summarized into a consolidated *Inmate Account’s Trial Balance Sheet* (“Daily Fund Balance Sheet”). The Daily Fund Balance Sheet is a mixture of financial information from three different sources:
 - i. A summarization of the two daily Cash Drawer Reconciliations (“Daily Cash on Hand”).
 - ii. Compilation of the opening Inmate Account checkbook balance, daily deposits and/or check disbursements which result in the ending bank balance (“Inmate Account Bank Balance”).
 - iii. A listing of various adjustments which have been recorded in the accounting system but not yet been booked against the Inmate Account Bank Balance. These adjustments usually include daily cash receipts which have not yet been collected by the Inmate

⁶³ Office of the New York State Comptroller, Division of Local Government and School Accountability, Local Government Management Guide, The Practice of Internal Controls. (2010).
<https://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2019-01/practiceinternalcontrols.pdf>

Appendix D - Cash Receipt Process Breakdown and Auditor Identified Issues

Accounts Unit (due to the varying close of business times), Commissary sales, postage fees, court ordered fees, disciplinary surcharges and any other adjustments. These adjustments are presented as of a specific point in time for that business day. (“Daily Accounting System Adjustments”).

The Daily Fund Balance Sheet ultimately reconciles the Daily Cash on Hand and Inmate Account Bank Balance to the Daily Accounting System Adjustments. The end results of this reconciliation are the Total Inmate Funds as reported in the Correctional Center’s accounting system at a specific point in time for that business day (“Total Inmate Fund Balance”). See Appendix F for an example.

- ***The Daily Fund Balance Sheet does not list the prior day’s ending Total Inmate Fund Balance as its opening balance and therefore does not reconcile financial information from the close of one business day to the opening of the following business day.***
- ***The Daily Fund Balance Sheet will be manually completed to reconcile all information to a specific Total Inmate Fund Balance. However, the ending Total Inmate Fund Balance is an amount determined at the specific time when the information is obtained from the accounting system. It does not constitute all financial activity for the business day. For example, if the Total Inmate Fund Balance is obtained from the accounting system at 3:49 PM, then all adjustments listed in the Daily Accounting System Adjustments will only agree to system generated information up to 3:49 PM. Any transactions which occurred after that timeframe will not be reflected in the reconciliation and instead will be included in the next day’s reconciliation.***
- ***Due a lack of a proper set close of business and system limitations, the data to support the Total Inmate Fund Balance is only valid at the specific time the reconciliation is performed. This makes it virtually impossible, at a later date, to verify the activity presented on these reports. As a result, any errors not discovered during the reconciliation process can be carried forward for an indeterminable amount of time, thus increasing the opportunity for potential misappropriation of funds.***

Furthermore, the system is unable to reprint a report to display the individual inmate balances at the specific time this Daily Fund Balance Sheet reconciliation is performed. As such, no proof is available that the individual inmate balances add up to the Total Inmate Fund Balance. Therefore, one cannot determine the underlying details (individual inmate account balances) of what makes up the Total Inmate Fund Balance for any Daily Fund Balance Sheet which have been previously created.

Appendix E - Example: Inmate's Account Balance Sheet ("Cash Drawer Reconciliation")

The following is an example of the Inmate's Account Balance Sheet ("Cash Drawer Reconciliation") that is manually completed at the close of business each day by the two Inmate Accounts Unit employees to independently reconcile their own cash drawers. See Appendix D.

Appendix E (p. 1/4)

NASSAU COUNTY SHERIFF'S DEPARTMENT
DIVISION OF CORRECTION
INMATE'S ACCOUNT BALANCE SHEET

DATE: 3-14-19


Opening Cash Balance	<u>9535.24</u>
A & D Desk	<u>1638.51</u>
A Building	<u>1,155.00</u>
D Building	_____
E Building	_____
Mail Room	<u>1115.00</u>
Other _____	_____
_____	_____
_____	_____
_____	_____
Total Cash Receipts	(+) <u>13443.75</u>
Total Discharges	<u>0</u>
Cash Deposit	<u>5100.00</u>
Coin Deposit	_____
Check Deposit	<u>1625.00</u>
Other _____	_____
_____	_____
_____	_____
Total Disbursements	(-) <u>6725.00</u>
Closing Cash Balance	<u>6718.75</u>
Prepared By _____	

Appendix E - Example: Inmate's Account Balance Sheet ("Cash Drawer Reconciliation")

Appendix E (p. 3/4)

NASSAU COUNTY SHERIFF'S DEPARTMENT
 DIVISION OF CORRECTION
 INMATE'S ACCOUNT BALANCE SHEET

DATE: 03/14/19

Opening Cash Balance	<u>13555.61</u>
A & D Desk	_____
A Building	_____
D Building	<u>1090.00</u>
E Building	<u>681.00</u>
Mail Room	_____
Other _____	_____
_____	_____
_____	_____
_____	_____
Total Cash Receipts	(+) <u>15326.61</u>
Total Discharges	<u>783.30</u>
Cash Deposit	_____
Coin Deposit	_____
Check Deposit	_____
Other _____	_____
_____	_____
_____	_____
Total Disbursements	(-) <u>783.30</u>
Closing Cash Balance	<u>14543.31</u>
Prepared By 	

Appendix F – Example: Inmate Accounts Trial Balance Sheet (“Daily Fund Balance Sheet”)

The following is an example of the Inmate Accounts Trial Balance Sheet (“Daily Fund Balance Sheet”). At the end of the business day the information from the two Cash Drawer Reconciliations, along with other daily financial activity, is manually summarized into a consolidated Inmate Accounts Trial Balance Sheet (“Daily Fund Balance Sheet”). The Daily Fund Balance Sheet ultimately reconciles the Daily Cash on Hand and Inmate Account Bank Balance to the Daily Accounting System Adjustments. The end result of this reconciliation is the Total Inmate Funds as reported in the Correctional Center’s accounting system at a specific point in time for that business day. See Appendix D.

Appendix F (p. 1/3)

Inmate Accounts Trial Balance Sheet

DATE: March 14, 2019

A & D Desk		Opening Cash Bal	<u>23090.85</u>
A Building			<u>1638.51</u>
D Building			<u>1155.00</u>
E Building			<u>1090.00</u>
Mail Room			<u>681.00</u>
Other _____			<u>1115.00</u>
Other _____			
Other _____			
Other _____			
Total Discharges		Total Credits	<u>5679.51</u>
Cash Deposit		<u>783.30</u>	
Coin Deposit		<u>5100.00</u>	
Check Deposit		<u>1625.00</u>	
Other _____			
Other _____			
Total Debits			<u>7508.30</u>
Total Cash			<u>21262.06</u>
Opening Check Book Balance		<u>155733.95</u>	
Cash Deposit		<u>5100.00</u>	
Coin Deposit			
Check Deposit		<u>1625.00</u>	
Check Disbursements			
Commissary Sales A Bldg			
Commissary Sales E Bldg			
Check Book Balance			<u>162458.95</u>
Adjustments A Bldg			
Adjustments E Bldg			<u>-21462.55</u>
Adjustment <u>101</u>			<u>+ 530.00</u>
Adjustment <u>102</u>			<u>+ 1961.00</u>
Postage Due			<u>- 69.95</u>
CVA/Surcharge			<u>- 265.00</u>
Disc Surcharge			<u>- 65.00</u>
Other (09010507) 4/16/11			<u>+ 7076.55</u>
Total Inmate Fund			<u>171426.06</u>

Prepared By: _____ Reviewed By: _____

Appendix F – Example: Inmate Accounts Trial Balance Sheet (“Daily Fund Balance Sheet”)

Appendix F (p. 3/3)

INQUIRY
FUNCTION: X

NASSAU COUNTY SHERIFF'S DEPARTMENT
DAILY INMATE FINANCIAL ACTIVITIES
BY FINANCIAL CODE

03/14/19 15:49

JC2M331
PAGE: 01

BUILDING:
USER ID :

ACTIVITY DATE: 031419
TOTAL'S ONLY: Y

FINANCIAL C O D E:
TOTAL FUND BALANCE: 171,426.06

NCC NO.	TIME	BLDG CODE	USER ID	RECEIPT NO.	CREDIT	DEBIT
		101		AM	490.00	0.00
				PM	40.00	0.00
				TOTAL	530.00	0.00

		102		AM	1,911.00	0.00
				PM	50.00	0.00
				TOTAL	1,961.00	0.00

		103		AM	1,115.00	0.00
				PM	0.00	0.00
				TOTAL	1,115.00	0.00

PF4 = BY BUILDING, PF10 = PRIOR DATE, PF11 = NEXT DATE, PF9 = NEXT PAGE

Appendix G - Commissary's Inmate Exchange Form (As of June 2019)

The following is an example of a Commissary Inmate Exchange Form as of June 2019. The quantity ("QTY") represents the maximum amount, per item, that an inmate may purchase per order. All prices have been redacted. See Finding 11.

*****SEE REVERSE SIDE FOR GUIDELINES*****

**NASSAU COUNTY SHERIFF'S DEPARTMENT
DIVISION OF CORRECTION
INMATE EXCHANGE**

PRINT NAME _____
 Last First Initial BLDG. FLOOR BLOCK CELL/BED CC # ONLY

SIGN FULL NAME X _____ DOB _____
 MO DAY YR AGE ASSIGNED WORKING AREA _____

QTY	PRICE	CAKE & SNACKS	AMOUNT	QTY	PRICE	MISCELLANEOUS SUPPLIES	AMOUNT
4	█	Pastries - Strawberry	_____	1	█	Hairbrush	_____
1	█	Variety Pack	_____	1	█	Toothbrush - Limit 1	_____
2	█	Wheat Pretzels	_____	1	█	Toothbrush Holder	_____
2	█	Honey Buns	_____	1	█	Soap Dish	_____
1	█	Chocolate Chips Muffins	_____	5	█	Laundry Detergent - Limit 5	_____
2	█	Black & White Cookie	_____	1	█	Face Cloth - Non White	_____
2	█	Brownie	_____	1	█	Bath Towel Large - Non White	_____
4	█	Snack Crackers	_____	1	█	Shower Clogs - Medium	_____
1	█	Choc. Chip Cookies	_____	1	█	Shower Clogs - Large	_____
1	█	Corn Muffins	_____	1	█	Shower Clogs - X-Large	_____
HEALTHIER SNACKS				TOILET ARTICLES			
3	█	Tuna	_____	1	█	Tooth Paste	_____
1	█	Triscuit Crackers	_____	2	█	Gold Soap - Limit 2	_____
3	█	Skinny Popcorn	_____	1	█	Hair Dressing	_____
3	█	Almonds	_____	1	█	Skin Cream - Noxzema	_____
3	█	Sunflower Seeds	_____	1	█	Petroleum Jelly - Limit 1	_____
BEVERAGES				CLOTHING ITEMS (Circle Size)			
1	█	Ice Tea	_____	1	█	Limit 1 Pack	_____
1	█	Orange Drink	_____	1	█	Men's Briefs - S,M,L, & XL - 3 Pack	_____
1	█	Fruit Drink	_____	1	█	Men's Briefs - 2XL, & 3XL - 3 Pack	_____
SPREADS				Men's Boxers - S,M,L, & XL - Each			
10	█	Peanut Butter	_____	2	█	Men's Boxers - 2XL - Each	_____
10	█	Grape Jelly	_____	1	█	T-Shirt, Crew Neck, S,M,L & XL 3 Pk	_____
10	█	Cheese Spread	_____	1	█	T-Shirt, Crew Neck, 2x&3X - 3 Pack	_____
10	█	Mayo	_____	1	█	Thermal Bottoms-S,M,L,XL Limit 2	_____
CANDY & MISC.				Thermal Bottoms-2X, & 3X Limit 2			
10	█	Vicks Cough Drops	_____	1	█	Sweatshirt - S,M,L & XL Limit 1	_____
10	█	Reese Cup	_____	1	█	Sweatshirt - 2XL, 3XL Limit 1	_____
10	█	Snickers	_____	3	█	Tube Socks, Per Pair-Limit 6	_____
10	█	Granola Bar	_____	1	█	Women's Panties -6,8,10,12-3Pack	_____
10	█	Hershey Almonds	_____	2	█	Sport Bra 34, 36, 38, 42	_____
10	█	Beef Sausage	_____	Total \$ _____			
10	█	Sugar Free Dark Chocolate	_____	<input type="checkbox"/> I, request one toothbrush			
10	█	Protein bar	_____	<input type="checkbox"/> I, request one 3 oz. toothpaste (J.M. Murray).			
10	█	Fruit & Nut Bar	_____	Inmate Signature _____			
STATIONERY				_____			
2	█	Writing Pad	_____	_____			
2	█	Pen	_____	_____			
10	█	Envelope-Stamped	_____	_____			
2	█	Legal Folder	_____	_____			
1	█	Playing Cards-Poker	_____	_____			
1	█	International Calling Card -Limit 1	_____	_____			
2	█	(Outside the USA Only) All sales Final	_____	_____			
2	█	10 x 13 First Class Large Envelope	_____	_____			

INDIGENT INMATE
 I, certify that I am without funds and request (2) two 10oz. envelopes with postage and paper.

CC-5042 REV 6/2019 Print Name _____ Location _____ CC# _____

Appendix G - Commissary's Inmate Exchange Form (As of June 2019)



NASSAU COUNTY SHERIFF'S DEPARTMENT DIVISION OF CORRECTION



GUIDELINES

1. Commissary sheet must be filled out properly and signed. Any slip not filled out properly will be rejected.
DO NOT USE RED INK
2. Commissary sheet must be turned in on Saturday evening of each week. No late slips will be accepted.
3. Maximum purchase is \$50.00 per week excluding International Calling Card.
4. Money must be on your account prior to ordering. Slips submitted for more than your balance will be rejected.
5. Prices are subject to change without notice. We reserve the right to limit quantities and substitutions will be made when necessary. No refunds or exchanges will be allowed on any clothing item (underwear or socks etc.)
6. Overweight and Certified mail will be deducted from your account. If no funds are available on your account, only legal mail will be sent first class. All other mail will be rejected and returned to inmate.
7. Commissary turn-over authorization: If you are going to Court, Visit, Hospital, etc. it is your responsibility to complete and sign a turnover slip **Form CC-2970** for your commissary. If the turnover slip is not signed or no turnover slip is received, your commissary will be returned to stock and your account credited. This procedure should be followed at all times as Commissary will be delivered once a week, but not on any set schedule day. **Form CC-2970** is provided by your inmate housing officer.
8. Indigent Inmates: Inmates without funds can receive two (2), pre-stamped envelopes and writing paper each week by completing side 1 of this commissary slip and check the item provided on the lower left side of the form marked indigent inmate.

SIDE 2

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Appendix H contains an analysis of the Sheriff’s Department/Nassau County Correctional Center’s (“Sheriff/CC”) Responses to the Draft Audit report and the Auditors’ Follow Up Comments. The Sheriff’s Department/Nassau County Correctional Center’s 5/20/21 full response letter, as submitted, is included in Appendix I. The Sheriff’s Department/Nassau County Correctional Center’s subsequent 6/22/21 full response letter, as submitted, is included in Appendix J.

Audit Finding (1)

(1) The Correctional Center was Unable to Determine the Commissary’s Operating Expenses

Audit Recommendations:

We recommend Correctional Center management:

- a) accurately calculate, document and record the operating expenses of the Commissary (e.g. staff compensation); and
- b) establish an official written agreement which stipulates the process of transferring Commissary funds to cover the Commissary’s operating expenses.

Sheriff/CC Response to Finding (1) Recommendations

5/20/2021 Response:

“The Correctional Center is in the process of creating Commissary Standard Operating Policies and Procedures (SOPs) which will address business planning processes towards identifying and capturing all Commissary costs in-order to strengthen fiscal oversight of the Unit. The SOPs will include the calculation and allocation of all direct and indirect staffing costs, as well as the identification of all other related expenses including cost of goods, delivery charges and any other miscellaneous or required expenses incurred by the Commissary Unit. These SOPs are estimated to be established and implemented no later than September 30, 2021.

The SOPs will include an official statement stipulating the timing and process for determining the amount of money to be transferred from the Commissary Inmate Exchange Account to the Correctional Center General Fund Account for the covering of payroll expense for Correctional Officers assigned to the Commissary Unit.”

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Auditors’ Follow Up Comments to Finding (1) Sheriff/CC Response

- a) We are pleased that the Sheriff/CC are in the process of creating SOPs for the Commissary which will include the calculation and allocation of all direct and indirect staffing costs, as well as the identification of all other related expenses including cost of goods, delivery charges and any other miscellaneous or required expenses incurred by the Commissary Unit. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- b) We are pleased that the Sheriff/CC are in the process of creating SOPs for the Commissary which will include an official statement stipulating the timing and process for determining the amount of money to be transferred from the Commissary Inmate Exchange Account to the Correctional Center General Fund Account for the covering of payroll expense for Correctional Officers assigned to the Commissary Unit. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.

Audit Finding (2)

(2) Commissary Profit & Loss Statements Were Not Accurately Prepared

Audit Recommendations:

We recommend the Correctional Center:

- a) prepare accurate monthly Profit & Loss Statements to determine if the Commissary is self-supporting;
- b) prepare monthly Profit & Loss Statements on a timely basis; and
- c) require all monthly Profit & Loss Statements to be signed and dated by the preparer and undergo documented supervisory review.

Sheriff/CC Response to Finding (2) Recommendations

5/20/2021 Response:

“In order to prepare accurate monthly Profit and Loss Statements, the Correctional Center is in the process of developing SOPs which will include business planning processes in order to properly record and capture all Commissary related revenues and expenses for the production of accurate and timely monthly financial records and Profit and Loss Statements. The Commissary SOPs will include internal controls requiring that completed statements be signed and dated by preparer and reviewed and signed off by Supervisor. The procedures will also provide for the Statement to be reviewed, signed, and dated by the Sheriff’s Administrative Office as part of a monthly analysis of Commissary Unit’s financial performance. These SOPs are estimated to be implemented no later than September 30, 2021.”

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Auditors’ Follow Up Comments to Finding (2) Sheriff/CC Response

- a) We are satisfied that the Sheriff/CC are in the process of creating SOPs for the Commissary which will include business planning processes in order to properly record and capture all Commissary related revenues and expenses for the production of accurate monthly financial records and Profit and Loss Statements. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- b) We are pleased that the Sheriff/CC are in the process of creating SOPs for the Commissary which will include business planning processes in order to properly record and capture all Commissary related revenues and expenses for the production of timely monthly financial records and Profit and Loss Statements. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- c) We find it acceptable that the Commissary SOPs will include internal controls requiring that completed statements be signed and dated by preparer and reviewed and signed off by Supervisor. Additionally, we are pleased that the procedures will also provide for the Statement to be reviewed, signed, and dated by the Sheriff’s Administrative Office as part of a monthly analysis of Commissary Unit’s financial performance. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.

Audit Finding (3)

(3) Procedures Used for the Daily Operations at the Nassau County Commissary Need Improvement

Audit Recommendations:

We recommend Nassau County Correctional Center management:

- a) reinstate the practice of utilizing civilian workers to help decrease the direct payroll costs associated with operating the Commissary;
- b) review the current operations of their Commissary and perform an internal study to investigate potential alternatives which can be implemented in Nassau County to increase the Commissary’s efficiency and profitability. The long-term effects of such alternatives should be considered. Such study should include, but not be limited to, the following:
 - i. contact neighboring counties and similar operating facilities to discuss their commissary’s daily operations and overall performance to gain insight into potential alternatives/improvements which can be made to Nassau’s current daily operations; and
 - ii. investigate the potential pros/cons of obtaining and implementing technological advancements or the use of outside assistance to assist with daily Commissary operations.

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Sheriff/CC Response to Finding (3) Recommendations

5/20/2021 Response:

“AUDIT FINDING (3A):

The Correctional Center is in the process of evaluating all work processes throughout the facility, which includes the Commissary Unit. As part of the development of the Commissary SOPs, all personnel assignments associated with operating the Commissary Unit will be re-assessed to determine the most cost effective, efficient, and safe use of Correctional Center staff.”

“AUDIT FINDING (3):

As previously reported, the Correctional Center's creation and implementation of Commissary SOPs will serve to train Commissary staff as well as improve operational and financial performance. The Correctional Center will conduct an internal study of Commissary operations in order to identify areas that will require further development. Neighboring county correctional centers will be contacted for tours of their Commissary Operations to identify best practices for potential implementation at Nassau County's Correctional Center. SOPs will be revised accordingly. It is anticipated that this corrective action will be completed by December 31, 2021.

As suggested by Comptroller, the Correctional Center will conduct research of the pros and cons of implementing technological advancements that may enhance the efficiency of the daily operation of the Commissary Unit. This will be further addressed when the Sheriff's Administrative Office visits with neighboring county Commissary units. Additionally, the Correctional Center is exploring the possibility of using outside software and technologies to manage the Commissary.”

Auditors’ Follow Up Comments to Finding (3) Sheriff/CC Response

- a) We are satisfied that as part of the development of the Commissary SOPs, all personnel assignments associated with operating the Commissary Unit will be re-assessed to determine the most cost effective, efficient, and safe use of Correctional Center staff. We request the Sheriff/CC inform the Comptroller’s Office as to the results of their re-assessment into the personnel assignments associated with operating the Commissary Unit.
- b) We are pleased that the Correctional Center will conduct an internal study of Commissary operations in order to identify areas that will require further development and that Neighboring county correctional centers will be contacted for tours of their Commissary Operations to identify best practices for potential implementation at Nassau County's Correctional Center. Additionally, we are pleased that the Correctional Center will conduct research of the pros and cons of implementing technological advancements that may enhance the efficiency of the daily operation of the Commissary Unit. We request the Sheriff/CC provide the Comptroller’s Office with the results of their internal study once it is completed.

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Audit Finding (4)

(4) Inmate Funds were Inappropriately Utilized Instead of Authorized Petty Cash Accounts

Audit Recommendations:

We recommend that the management of the Correctional Center:

- a) Immediately cease the current practice of utilizing inmate money for officer travel/petty cash expenses and use the appropriate pre-existing petty cash fund;
- b) Create and disseminate policies and procedures for the internal use of established petty cash funds in accordance with the Nassau County Comptroller’s Control Directive 1: Petty Cash Accounts (Appendix B);
- c) Determine if an increase in established petty cash fund balances is necessary. If so, proceed to have the maximum balances adjusted through proper County approval;
- d) Require detailed logs be maintained for the proper tracking of all petty cash transactions. These logs should include the following:
 - i. name and title of employee who received petty cash;
 - ii. date and amount of petty cash funds initially disbursed;
 - iii. the reason/purpose for the funds;
 - iv. date and amount when unspent funds were returned;
 - v. date and amount submitted for reimbursement; and
 - vi. date and amount of reimbursement received.
- e) Utilize the existing County contract for travel services, which allows the vendor to directly arrange and purchase travel arrangements for those employees in the Department who seek reimbursement directly from the County*;
- f) Utilize the exception to the meal reimbursement policy, which authorizes law enforcement, including employees of the Sheriff’s Department, to receive meal reimbursement for meals purchased for an inmate(s) that they are transporting regardless if the meal is purchased in, or outside the County*;
- g) Consistent with prior approvals given by the Office of Management and Budget and the County Comptroller’s Office, permit employees to use petty cash for E-ZPass, gas or inmate meals*; and
- h) Utilize E-ZPasses supplied to them*.

*Auditors have been informed that the Claim’s Division and Counsel within the Office of the Nassau County Comptroller has been working with the Office of the County Executive and the Sheriff’s Department on solutions to a number of identified issues concerning travel expenses.

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Sheriff/CC Response to Finding (4) Recommendations

5/20/2021 Response:

“The Correctional Center will develop an SOP for the internal use of established Petty Cash Funds in accordance with the Nassau County Comptroller's Directive 1: Petty Cash Accounts. The Correctional Center will seek legal counsel input from both the Comptroller's Office and County Attorney when developing the Petty Cash SOP. The following items raised in the Audit Report will be addressed in the SOPs:

- *establishment, maintenance and review of petty cash logs,*
- *use of County's travel services contractor for the arrangement and purchase of travel arrangements,*
- *reimbursement of meals purchased for inmates during transport,*
- *permitting use of petty cash for reimbursement of employee out of pocket EZ Pass (sic) and gas expenses; and*
- *use of County owned EZ Passes (sic).*

The SOP will be finalized, implemented and disseminated to all Correctional Center personnel on or before September 30, 2021.

Lastly, the Sheriff's Administrative Office will conduct a petty cash review to determine the amount of necessary petty cash balances to have on hand. The Correctional Center Accounting staff will chart petty cash activity over the next 12 months to determine if current petty cash balances are enough for the Department's requirements. County approval will be sought for any adjustments to petty cash balances and the SOPs will be updated accordingly.”

6/22/2021 Response:

“In in line with the Audit Findings, Effective June 30, 2021 the Sheriff's Department has cease and desist the practice of using ineligible funds to prepay staff for Business related travel/petty cash expenses.

All use of Petty Cash must be in line with the Nassau County Office of the Comptroller's Control Directive 1: Petty Cash Accounts.

Each month the Petty Cash Account will be reconciled by the Custodian of the Petty Cash Account and will be verified by the Budget and Finance Supervisor for accuracy.

The Sheriff or Sheriff's designee are the only authorizing party to make any changes to the Nassau County Sheriff's Department Correctional Center Petty Cash Account procedure.”

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Auditors’ Follow Up Comments to Finding (4) Sheriff/CC Response

- a) We concur with the Sheriff/CC’s corrective action to cease and desist the practice of using ineligible funds to prepay staff for Business related travel/petty cash expenses, effective June 30, 2021. We are further satisfied that all use of Correctional Center Petty Cash will be in line with the Nassau County Office of the Comptroller's Control Directive 1: Petty Cash Accounts.
- b) We are pleased that the Sheriff/CC will develop an SOP for the internal use of established Petty Cash Funds in accordance with the Nassau County Comptroller's Directive 1: Petty Cash Accounts. Additionally, we agree that the Sheriff or Sheriff's designee should be the only authorizing party to make any changes to the Nassau County Sheriff's Department Correctional Center Petty Cash Account procedure. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- c) We find it satisfactory that the Sheriff's Administrative Office will conduct a petty cash review to determine the amount of necessary petty cash balances to have on hand and that Correctional Center Accounting staff will chart petty cash activity over the next 12 months to determine if current petty cash balances are enough for the Department's requirements. Further, we concur with the Sheriff/CC seeking County approval for any adjustments to petty cash balances and updating their newly established SOPs accordingly.
- d) We find it acceptable that the Correctional Center’s new SOPs will include the establishment, maintenance and review of petty cash logs. Additionally, we concur with the Sheriff/CC corrective action that each month the Petty Cash Account will be reconciled by the Custodian of the Petty Cash Account and will be verified by the Budget and Finance Supervisor for accuracy. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- e) We are satisfied that the Correctional Center’s new SOPs will include the use of County's travel services contractor for the arrangement and purchase of travel arrangements. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- f) We are pleased the Correctional Center’s new SOPs will include the reimbursement of meals purchased for inmates during transport. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- g) We are satisfied the Correctional Center’s new SOPs will include permitting use of petty cash for reimbursement of employee out of pocket E-ZPass and gas expenses. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.
- h) We find it acceptable that the Correctional Center’s new SOPs will include the use of County owned E-ZPasses. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.

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Audit Finding (5)

(5) Almost \$14,000 in Avoidable Bank Fees were Charged Against the Inmate Account

Audit Recommendations:

We recommend the Correctional Center adequately protect inmate funds and consult with the Nassau County Treasurer’s Office to avoid being charged any future banking fees.

Sheriff/CC Response to Finding (5) Recommendations

5/20/2021 Response:

“After consultation with the Nassau County Treasurer, it was determined that the bank charges to date were unavoidable. As such, the Correctional Center Accounting Unit has been tasked with identifying the amount of bank charges that have been incurred against the Inmate Account and will reimburse the Inmate Account from the Commissary Operating Account. This reimbursement will be completed no later than September 30, 2021.

Further, the Correctional Center will work in conjunction with the Treasurer's office in pursuing banking alternatives that will eliminate or at a minimum reduce bank fees. New bank accounts will be established no later than September 30, 2021.”

Auditors’ Follow Up Comments to Finding (5) Sheriff/CC Response

We are pleased the Correctional Center has consulted with the Nassau County Treasurer regarding the bank fees. As noted in our finding, we agree that the bank fees charged to date were unavoidable based on the manner in which the Inmate Account was first established. Most of the bank fees could have been avoided had the account been initially setup with assistance from Nassau County Treasurer’s Office.

We agree with the Correctional Center’s plans to work in conjunction with the Treasurer's office in pursuing banking alternatives that will eliminate or at a minimum reduce bank fees. We request the Sheriff/CC provide the Comptroller’s Office with the appropriate supporting documents when a banking alternative or new accounts have been established and implemented.

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Audit Finding (6)

(6) A \$7,077 Error Has Remained Unreconciled and Still Present On The Correctional Center’s Books Since 2011

Audit Recommendations:

We recommend the Inmate Accounts Unit write off this adjusting entry by transferring profits from the Commissary bank account to the Inmate Account bank account to rectify the issue.

Sheriff/CC Response to Finding (6) Recommendations

5/20/2021 Response:

“The Correctional Center Inmate Accounts Unit will write off the \$7,077 adjusting entry by transferring profits from the Commissary Operating Account to the Inmate Account. This adjusting entry will be completed no later than June 30, 2021. Further, the Correctional Center will develop a Cash Disbursement SOP which will include oversight procedures that will prevent a similar error from re-occurring.”

Auditors’ Follow Up Comments to Finding (6) Sheriff/CC Response

We are satisfied the Correctional Center Inmate Accounts Unit will write off the \$7,077 adjusting entry by transferring profits from the Commissary Operating Account to the Inmate Account. We request the Correctional Center provide Auditors with supporting documentation to substantiate this transfer once completed.

Additionally, we are pleased the Correctional Center will develop a Cash Disbursement SOP which will include oversight procedures that will prevent a similar error from re-occurring. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once established and implemented.

Audit Finding (7)

(7) \$2.1 Million of Commissary Purchases Were Made Without Utilizing Competitive Procurement and Contracts

Audit Recommendations:

We recommend the Correctional Center:

- a) follow the Nassau County Procurement Policy; and
- b) utilize the services of the Nassau County Office of Purchasing for all vendor selection processes to promote increased competition amongst vendors to obtain quality goods/services at the lowest price with consistent terms.

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Sheriff/CC Response to Finding (7) Recommendations

5/20/2021 Response:

“The Correctional Center with support from the Office of Management and Budget Audits, Grants and Quality Assurance Unit is researching procurement guidelines for the Commissary Unit that will conform with Nassau County’s Procurement Policy while also addressing unique product and jail safety considerations. A Procurement SOP will be documented, implemented and disseminated to all Commissary staff for compliance in making future Commissary inventory purchases. The Procurement SOP will be in place by September 30, 2021.”

6/22/2021 Response:

The Commissary Unit does not use the Central Purchasing Department for fiduciary activity, and it is not on ADPICS (Advanced Purchasing Inventory Control System) and NIFS (Nassau Integrated Financial System). The current Jail Management System (or prior system) does not interface with the ADPICS or NIFS systems. The Commissary Procurement Policy will however follow the County Procurement Policy concepts and practices for all procurement activities, ensuring transparency with the vetting of vendors (acquiring a minimum of three quotes) and supervisory review of the purchasing, processing, and monitoring of the day-to-day purchases of goods and services. Oversight will ensure that contracts with the suppliers are adhered to and that prices do not change arbitrarily.

Auditors’ Follow Up Comments to Finding (7) Sheriff/CC Response

- a) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, is researching procurement guidelines for the Commissary Unit that will conform with Nassau County’s Procurement Policy while also addressing unique product and jail safety considerations. We are further satisfied that a Procurement SOP will be documented, implemented and disseminated to all Commissary staff for compliance in making future Commissary inventory purchases. We request the Sheriff/CC submit a copy of the SOPs to the Comptroller’s Office once they are established and implemented.
- b) We are pleased that the Commissary Procurement Policy will follow the County Procurement Policy concepts and practices for all procurement activities, ensuring transparency with the vetting of the vendors (acquiring a minimum of three quotes) and supervisory review of the purchasing, processing, and monitoring of the day-to-day purchases of goods and services. Additionally, we hope oversight will ensure that contracts with the suppliers are adhered to and that prices do not change arbitrarily. We recommend that the Correctional Center seeks oversight assistance from the Nassau County Office of Purchasing.

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Audit Finding (8)

(8) Cash Disbursement Procedural and Internal Control Weaknesses Were Identified

Audit Recommendations:

We recommend:

- a) Formal written policies/procedures be created to detail the cash disbursement process;
- b) Standardized written requisitions be created and utilized to request the purchase and document the approval of Commissary resale items;
- c) The Correctional Center require all supporting documentation and accounting system data to identify whether an expense is for a Commissary operational cost (i.e. buying items to resell at the Commissary) or for a Commissary profit expense for purposes of prisoner welfare and rehabilitation;
- d) Written requests should be maintained and stored with the subsequently created purchase order;
- e) The Correctional Center establish procedures for Correctional Center staff to date and sign shipping invoices or shipping documents upon receipt of delivered items and also to note any deficiencies and any other comments that may be relevant to paying the invoice;
- f) A modern accounting system, such as an off-the-shelf accounting software program like QuickBooks, be implemented for the initiating, tracking and recording of all Commissary purchases;
- g) Segregation of duties should be maintained by not allowing the same individual who orders items be the same individual who processes payment for orders;
- h) Payment should only be made to vendors upon the delivery of goods and receipt of an identifying vendor invoice; and
- i) All disbursements are reviewed, approved and dated by a supervisor before payments are processed.

Sheriff/CC Response to Finding (8) Recommendations

5/20/2021 Response:

“The Correctional Center, with support from OMB Audits, Grants, and Quality Assurance Unit, will create a Cash Disbursement SOP, which will consider all Comptroller's Audit Recommendations. When finalized, SOP will be disseminated to and implemented by all Correctional Center staff involved in disbursing cash. The SOP is expected to be established and implemented on or before September 30, 2021.”

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Auditors’ Follow Up Comments to Finding (8) Sheriff/CC Response

- a) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- b) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that standardized written requisitions be created and utilized to request the purchase and document the approval of Commissary resale items. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- c) We find it satisfactory that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that the Correctional Center require all supporting documentation and accounting system data to identify whether an expense is for a Commissary operational cost (i.e. buying items to resell at the Commissary) or for a Commissary profit expense for purposes of prisoner welfare and rehabilitation. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- d) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that written requests should be maintained and stored with the subsequently created purchase order. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- e) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that the Correctional Center establish procedures for Correctional Center staff to date and sign shipping invoices or shipping documents upon receipt of delivered items and also to note any deficiencies and any other comments that may be relevant to paying the invoice. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- f) We are satisfied that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that a modern accounting system, such as an off-the-shelf accounting software program like QuickBooks, be implemented for the initiating, tracking and recording of all Commissary purchases. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- g) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that segregation of duties should be maintained by not allowing the same individual who orders items be the same individual who processes payment for orders. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

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- h) We find it satisfactory that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that payment should only be made to vendors upon the delivery of goods and receipt of an identifying vendor invoice. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- i) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will create a Cash Disbursement SOP. We reiterate our recommendation that all disbursements are reviewed, approved and dated by a supervisor before payments are processed. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

Audit Finding (9)

(9) Numerous Internal Control Deficiencies Were Identified with the Collection, Processing, Reporting and Depositing of Daily Cash Receipts

Audit Recommendations:

We recommend Correctional Center management:

- a) Establish a standardized close of business time that is uniformly used throughout the Correctional Center. This close of business should coincide with the daily close of business used in the Correctional Center’s accounting system;
 - i. All manually prepared daily cash reports and reconciliations should be performed in accordance with this close of business to allow for uniform comparison of daily activity;
 - ii. All daily accounting system generated reports should fully substantiate and agree with all manually prepared reconciliations and each individual inmate’s account balance.
- b) Implement cash control policies and procedures in accordance with the Comptroller’s Control Directive 3: Cash Receipts (Appendix C);
- c) Require documented Supervisory review of the cash receipts process from collection to deposit;
- d) Require any discrepancies identified with the daily cash collected from all locations to be fully documented and brought to the attention of a Supervisor. Any adjustments made to any balances in the accounting system should require Supervisor approval prior to making the adjustment;
- e) Require all cash receipts to be deposited in the same form as collected as required by the New York State Comptroller and in no instance less frequently than once a week as set forth in the Nassau County Comptroller’s Directive 3: Cash Receipts (Appendix C);

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- f) Establish daily opening/closing balances that each Inmate Accounts cash drawer is required to maintain;
- g) Require the Inmate Accounts staff and a Supervisor to recount each other’s cash drawer at the close of business each day and document their recount by signing/dating the sheet. Any noted differences must be investigated and documented. If an Inmate Accounts employee is absent, another Correctional Center staff member must recount and verify their cash drawer and daily reports to maintain a proper segregation of duties;
- h) Any unreconcilable amounts found in either cash drawer should be investigated by a Supervisor. Those deemed unreconcilable should be written off with management’s approval; and
- i) Investigate the \$436 difference discovered between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS) to determine why a difference exists.

Sheriff/CC Response to Finding (9) Recommendations

5/20/2021 Response:

“The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. The SOP will include all cash receipt procedures recommended in the Comptroller's Audit Report as well as consider the guidance included in the Comptroller's Control Directive 3: Cash Receipts. When finalized, the SOP will be disseminated to, and implemented by, all Correctional Center staff responsible for receiving cash. The SOP will be established and implemented on or before September 30, 2021.”

In addition, the Correctional Center Accounting Unit has been tasked with researching the origins of the \$436 difference between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS). Based on the results of the Accounting Unit's investigation, an adjusting entry will be made to reconcile all affected accounts. The newly established cash receipt SOP will ensure similar errors do not reoccur. It is anticipated that this corrective action will be completed by no later than September 30, 2021.”

Auditors’ Follow Up Comments to Finding (9) Sheriff/CC Response

- a) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. We are further pleased that the SOP will include our recommendation to establish a standardized close of business time that is uniformly used throughout the Correctional Center, and that this close of business should coincide with the daily close of business used in the Correctional Center’s accounting system. Additionally, we are pleased the SOP will also address our sub-recommendations regarding manually prepared daily

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cash reports, reconciliations and daily accounting system generated reports. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

- b) We find it satisfactory that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. We are further satisfied that the SOP will include all cash receipt procedures recommended in the Comptroller's Audit Report as well as consider the guidance included in the Comptroller's Control Directive 3: Cash Receipts. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- c) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are pleased that the SOP will include our recommendation to require documented Supervisory review of the cash receipts process from collection to deposit. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- d) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are pleased that the SOP will include our recommendation to require any discrepancies identified with the daily cash collected from all locations to be fully documented and brought to the attention of a Supervisor, and that any adjustments made to any balances in the accounting system should require Supervisor approval prior to making the adjustment. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- e) We are satisfied that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are satisfied that the SOP will include our recommendation to require all cash receipts to be deposited in the same form as collected as required by the New York State Comptroller and in no instance less frequently than once a week as set forth in the Nassau County Comptroller’s Directive 3: Cash Receipts. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- f) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are pleased that the SOP will include our recommendation to establish daily opening/closing balances that each Inmate Accounts cash drawer is required to maintain. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- g) We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are pleased that the SOP will include our recommendation to require the Inmate Accounts staff and a Supervisor to recount each

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other’s cash drawer at the close of business each day and document their recount by signing/dating the sheet, that any noted differences must be investigated and documented, and that if an Inmate Accounts employee is absent, another Correctional Center staff member must recount and verify their cash drawer and daily reports to maintain a proper segregation of duties. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

- h) We find it satisfactory that the Correctional Center, with support from the Quality Assurance Unit, will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. Additionally, we are satisfied that the SOP will include our recommendation that any unreconcilable amounts found in either cash drawer should be investigated by a Supervisor, and that those deemed unreconcilable should be written off with management’s approval. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- i) We are pleased that the Correctional Center Accounting Unit has been tasked with researching the origins of the \$436 difference between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS) and an adjusting entry will be made to reconcile all affected accounts. We request the Correctional Center provide Auditors with supporting documentation to substantiate this adjustment once it has been completed.

Audit Finding (10)

(10) There is No Standardized Methodology Used to Determine Selling Prices for Items Sold at the Commissary

Audit Recommendations:

We recommend the Correctional Center:

- a) establish a standardized method, in accordance with minimum standards, to determine the prices for items sold at the Commissary; and
- b) begin tracking statistical data for Commissary operations so data analytics can be utilized to determine item pricing to ensure a modest profit is generated. The sales prices of items should be set at appropriate prices that will generate enough revenue to produce a modest return above cost while also considering the inmates’ ability to pay.

Sheriff/CC Response to Finding (10) Recommendations

5/20/2021 Response:

“The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will create an SOP addressing methodology for the pricing of Commissary items that is in accordance with minimum standards and the generation of modest returns for the Commissary to

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be a self-sustaining entity. Additionally, the SOP will address steps for Commissary Unit Management to track operational data and sales activity to support the setting of future pricing of Commissary items. The SOP is estimated to be established and implemented no later than December 30, 2021.”

Auditors’ Follow Up Comments to Finding (10) Sheriff/CC Response

- a) We are satisfied that the Correctional Center, with support from the Quality Assurance Unit, will create an SOP addressing methodology for the pricing of Commissary items that is in accordance with minimum standards and the generation of modest returns for the Commissary to be a self-sustaining entity. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- b) We are pleased that the SOP will address steps for Commissary Unit Management to track operational data and sales activity to support the setting of future pricing of Commissary items. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

Audit Finding (11)

(11) There are Weaknesses in the Manner in Which the Commissary Inventory is Maintained and Safeguarded

Audit Recommendations:

We recommend:

- a) The Correctional Center establish policies and procedures for maintaining and reconciling Commissary inventory;
- b) Commissary items taken for inmate worker allowances should be properly accounted for to reduce Commissary inventory;
- c) Commissary staff perform regular (i.e. monthly) inventory reconciliations to verify that the quantity of items listed in their computer system agrees with the physical inventory present within the Commissary. Any discrepancies found during the inventory reconciliation process should be recorded, investigated, and reported to the Commissary's supervising Officers;
- d) Correctional Center management create policies and procedures for handling the donation and/or disposal of unsaleable Commissary inventory; and
- e) Commissary inventory reported at any non-functioning Correctional Center locations should be further investigated and rectified to generate accurate monetary values for profit and loss statement analysis.

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Sheriff/CC Response to Finding (11) Recommendations

5/20/2021 Response:

“AUDIT FINDING (IIA, IIC, AND IID):

The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will document and create an SOP for the timely and accurate procurement, receipt, recording, counting, safeguarding, and reconciling of Commissary inventory items. Consideration will also be given to the disposition of unsaleable items. When finalized, the SOP will be disseminated to, and implemented by, all Correctional Center staff involved in handling inventory items. It is anticipated that the SOPs will be established and implemented on or before September 30, 2021.”

“AUDIT FINDING (IIE):

On or before June 30, 2021 the Sheriff’s Office will relocate inventory items at non-functioning Correctional Center locations to the central Commissary location for future sales or disposal, if non saleable.”

“AUDIT FINDING (IIB):

Corrective action has been taken. A verbal order was issued on November 1, 2020, followed by a written memo on May 17, 2021 confirming the earlier verbal order by the Sheriff’s Administrative Office directing the staff to cease the current practice of assigning inmates to work in the Commissary Unit until a policy has been drafted establishing a new inmate worker program based on safety conditions and supervision in line with the audit recommendations.”

Auditors’ Follow Up Comments to Finding (11) Sheriff/CC Response

- a) We find it acceptable that the Correctional Center, with support from the Quality Assurance Unit, will document and create an SOP for the timely and accurate procurement, receipt, recording, counting, safeguarding, and reconciling of Commissary inventory items and that consideration will also be given to the disposition of unsaleable items. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- b) We are pleased that a policy will be drafted to establish a new inmate worker program based on safety conditions and supervision in line with the audit recommendations. We reiterate our recommendation that Commissary items taken for inmate worker allowances should be properly accounted for to reduce Commissary inventory. We request the Sheriff/CC submit a copy of the May 17, 2021 written memo to the Comptroller’s Office as well as a copy of the new policy once it has been formalized and implemented.
- c) We find it satisfactory that the Correctional Center, with support from the Quality Assurance Unit, will document and create an SOP for the timely and accurate procurement, receipt, recording, counting, safeguarding, and reconciling of Commissary inventory items and that consideration will also be given to the disposition of unsaleable items. We reiterate our recommendation that Commissary staff perform regular (i.e. monthly) inventory reconciliations to verify that the quantity of items listed in their computer system agrees with the physical inventory present within the Commissary. Any discrepancies found

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during the inventory reconciliation process should be recorded, investigated, and reported to the Commissary's supervising Officers. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

- d) It is acceptable that the Correctional Center, with support from the Quality Assurance Unit, will document and create an SOP for the timely and accurate procurement, receipt, recording, counting, safeguarding, and reconciling of Commissary inventory items and that consideration will also be given to the disposition of unsaleable items. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- e) We are satisfied that on or before June 30, 2021 the Sheriff's Office will relocate inventory items at non-functioning Correctional Center locations to the central Commissary location for future sales or disposal, if non saleable. We request the Correctional Center provide Auditors with supporting documentation to substantiate this inventory adjustment once it has been completed.

Audit Finding (12)

(12) Indigent Inmate Items were Not Purchased in Accordance with Minimum Standards and were Not Maintained Separately from Saleable Commissary Items

Audit Recommendations:

We recommend:

- a) Items given to indigent inmates should be purchased at facility expense as required by NYSCOC minimum standards;
- b) Correctional Center management create a policy requiring the inventory of indigent items to be maintained separately from the saleable Commissary items to strengthen inventory controls and obtain greater oversight of items which are given to inmates for free; and
- c) The Correctional Center’s return address be pre-printed on all Commissary and indigent envelopes to prevent potential pilferage.

Sheriff/CC Response to Finding (12) Recommendations

5/20/2021 Response:

“The Correctional Center will work with OMB to secure additional funding for the 2022 Operating Budget in-order to procure facility stationery and postage for indigent prisoners as required by NYSCOC minimum standards. The Correctional Center with the support of OMB Audit, Grants and Quality Assurance will develop Standard Operating Policy and Procedures addressing proper inventory management controls towards the separation of indigent and saleable Commissary inventory items. When finalized, these SOP will be disseminated to, and implemented

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

by all staff involved in handling and distributing Indigent Inmate Items. The SOP will be established and implemented on or before September 30, 2021.”

6/22/2021 Response:

In response to Commissary Audit finding number 12, all envelopes provided to inmates through the Commissary Unit or to indigents inmates are pre-printed with the facility return address.

Auditors’ Follow Up Comments to Finding (12) Sheriff/CC Response

- a) We are pleased that the Correctional Center will work with OMB to secure additional funding for the 2022 Operating Budget in-order to procure facility stationery and postage for indigent prisoners as required by NYSCOC minimum standards.
- b) We find it acceptable that the Correctional Center, with the support of the Quality Assurance Unit, will develop Standard Operating Policy and Procedures addressing proper inventory management controls towards the separation of indigent and saleable Commissary inventory items. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.
- c) We are satisfied that the Sheriff/CC has taken corrective action and that all envelopes provided to inmates through the Commissary Unit or to indigents inmates are pre-printed with the facility’s return address.

Audit Finding (13)

(13) There is Insufficient Control Over the Tracking of Inmate Worker Hours and Disbursement of Commissary Items to Inmate Workers

Audit Recommendations:

We recommend:

- a) Timesheets and work logs be utilized to track the days and hours inmates worked in the Commissary;
- b) Correctional Center management overseeing the Commissary’s operations communicate with staff to prevent any further misunderstandings or operational inconsistencies;
- c) Commissary items received by inmate worker allowances be properly accounted for by entering such items into the Commissary’s computer system to reduce Commissary inventory; and
- d) All Inmate Exchange Forms utilized to track Commissary inmate worker allowance orders should be properly completed and dated.

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Sheriff/CC Response to Finding (13) Recommendations

5/20/2021 Response:

“Corrective action has been taken. A verbal order was issued on November 1, 2020, followed by a written memo on May 17, 2021 confirming the earlier verbal order by the Sheriff’s Administrative Office directing the staff to cease the current practice of assigning inmates to work in the Commissary Unit until a policy has been drafted establishing a new inmate worker program based on safety conditions and supervision in line with the audit recommendations.”

Auditors’ Follow Up Comments to Finding (13) Sheriff/CC Response

- a) We are pleased that a policy will be drafted to establish a new inmate worker program based on safety conditions and supervision in line with the audit recommendations. We reiterate our recommendation that timesheets and work logs be utilized to track the days and hours inmates worked in the Commissary. We request the Sheriff/CC submit a copy of the May 17, 2021 written memo to the Comptroller’s Office as well as a copy of the new policy once it has been formalized and implemented.
- b) We find it satisfactory that a policy will be drafted to establish a new inmate worker program based on safety conditions and supervision in line with the audit recommendations. We reiterate our recommendation that Correctional Center management overseeing the Commissary’s operations communicate with staff to prevent any further misunderstandings or operational inconsistencies. We request the Sheriff/CC submit a copy of the May 17, 2021 written memo to the Comptroller’s Office as well as a copy of the new policy once it has been formalized and implemented.
- c) It is acceptable that a policy will be drafted to establish a new inmate worker program based on safety conditions and supervision in line with the audit recommendations. We reiterate our recommendation that Commissary items received by inmate worker allowances be properly accounted for by entering such items into the Commissary’s computer system to reduce Commissary inventory. We request the Sheriff/CC submit a copy of the May 17, 2021 written memo to the Comptroller’s Office as well as a copy of the new policy once it has been formalized and implemented.
- d) We are satisfied that a policy will be drafted to establish a new inmate worker program based on safety conditions and supervision in line with the audit recommendations. We reiterate our recommendation that all Inmate Exchange Forms utilized to track Commissary inmate worker allowance orders should be properly completed and dated. We request the Sheriff/CC submit a copy of the May 17, 2021 written memo to the Comptroller’s Office as well as a copy of the new policy once it has been formalized and implemented.

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Audit Finding (14)

(14) The Correctional Center Has Failed to Create Written Policies and Procedures for Commissary and Inmate Accounts Operations Which Has Been Previously Noted as Audit Issues in Reports Released in 2000, 2004 and 2013

Audit Recommendations:

We recommend the Nassau County Correctional Center management immediately develop and distribute to the staff written policies and procedures for all Commissary and Inmate Accounts functions including, but not limited, to the following:

- Collection and Recording of Inmate Money;
- Processing of Cash Receipts;
- Procurement/Purchasing;
- Cash Disbursements;
- Allocation of Staff Payroll as a Commissary Expense;
- Inmate Commissary Workers;
- Processing and Distribution of Inmate Commissary Orders;
- Inventory Management and Reconciliation of Commissary Items;
- Fixed Assets Management for Purchases made with Commissary Profits;
- Profit and Loss Statement Preparation and Analysis; and
- Bank Reconciliations.

Sheriff/CC Response to Finding (14) Recommendations

5/20/2021 Response:

“The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will create SOPs for all Commissary and Inmate Accounts functions. These procedures will include, but not be limited to, all functions and procedures identified by the Comptroller's Office. When finalized, the SOPs will be disseminated to, and implemented by the appropriate Correctional Center staff. These SOPs will be established and implemented on or before September 30, 2021.”

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Auditors’ Follow Up Comments to Finding (14) Sheriff/CC Response

We are pleased that the Correctional Center, with support from the Quality Assurance Unit, will create SOPs for all Commissary and Inmate Accounts functions and that these procedures will include, but not be limited to, all functions and procedures identified by the Comptroller's Office. We request the Sheriff/CC submit a copy of the SOP to the Comptroller’s Office once established and implemented.

Audit Finding (15)

(15) The Correctional Center’s Antiquated Accounting System Lacks Key Commissary Cost Reporting and Analytical Capabilities for Management Oversight

Audit Recommendations:

We recommend:

- a) Correctional Center management investigate if the newly implemented IMACS system can be upgraded to include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics and analytical data to help Correctional Center management efficiently run the Commissary.
- b) If “recommendation a” above is not possible, the Correctional Center should work with the Nassau County Office of Information Technology to replace the Inmate Tracking System (JCON) with a new accounting system that complies with New York State regulations to fully substantiate all Commissary purchases, sales and expenditures⁶⁴. The possibility for use of an off-the-shelf accounting software package should be investigated.

Sheriff/CC Response to Finding (15) Recommendations

5/20/2021 Response:

“The Correctional Center's newly implemented IMACS system does include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics, and analytical data to help Correctional Center management efficiently run the Commissary. The Sheriff's Administration Unit will review with Nassau County IT opportunities for additional IMAC system staff training and software upgrades by December 31, 2021. The use of updated IMAC system processes will be included in any SOPs noted herein.”

⁶⁴ 9 NYCRR § 7016.1 (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.”

Appendix H – Auditor’s Follow Up Comments to Correctional Center Response

Auditors’ Follow Up Comments to Finding (15) Sheriff/CC Response

- a) We understand that the IMACS system does include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics, and analytical data to help Correctional Center management efficiently run the Commissary. Additionally, we concur with the corrective action that the Sheriff’s Administration Unit will review with Nassau County IT opportunities for additional IMACS staff training and software upgrades by December 31, 2021 and that the use of updated IMAC system processes will be included in any SOPs.
- b) Since “recommendation a” is being implemented, recommendation b is not applicable.

Audit Finding (16)

(16) Profits Resulting from Commissary Sales are Not Deposited in a Separate Bank Account as Required by Minimum Standards

Audit Recommendations:

We recommend that the Nassau County Correctional Center open a new bank account to solely account for the profits resulting from the Commissary’s activities as required by NYSCOC minimum standards to ensure there is no co-mingling of the Commissary operation funds and Commissary profits. All previously identified profits which have not yet been spent on prisoner welfare and rehabilitation should be transferred into this new bank account.

Sheriff/CC Response to Finding (16) Recommendations

5/20/2021 Response:

“The Correctional Center in consultation with the County Treasurer will open a new bank account titled Rehabilitation and Welfare to solely account for profits resulting from the Commissary Unit Sales activities. The Correctional Center Accounting staff will identify previous profits which have not yet been spent on prisoner rehabilitation and welfare for transfer into this new bank account. The new bank account will be established on or [before] September 30, 2021, and previous profits will be identified and deposited no later than September 30, 2021.”

Auditors’ Follow Up Comments to Finding (16) Sheriff/CC Response

We find it acceptable that the Correctional Center in consultation with the County Treasurer will open a new bank account titled Rehabilitation and Welfare to solely account for profits resulting from the Commissary Unit Sales activities. We request the Sheriff/CC provide the Comptroller’s Office with the results of their profit analysis and supporting documentation to substantiate the transfer of these profits into the new bank account once it is established.

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Audit Finding (17)

(17) Counterfeit Money Detection Safeguards Are Not Being Utilized at the Initial Point of Cash Collection

Audit Recommendations:

We recommend that the Correctional Center:

- a) provide Corrections Officers with counterfeit money detection machines at all locations where money is received; and
- b) analyze all money upon receipt to determine if any bills are counterfeit, prior to the collection and booking of funds to an inmate’s account.

Sheriff/CC Response to Finding (17) Recommendations

5/20/2021 Response:

“The Sheriff’s Department agrees with the Comptroller’s Office regarding the necessity of counterfeit money detection. The Correctional Center currently has counterfeit money detection machines in two areas- Bail Reception and Inmate Accounts. The Correctional Center will provide Corrections Officers with counterfeit money detection pens, markers and/or machines at the visiting areas prior to their eventual re-opening to the public.”

Auditors’ Follow Up Comments to Finding (17) Sheriff/CC Response

- a) We are satisfied that the Correctional Center will provide Corrections Officers with counterfeit money detection pens, markers and/or machines at the visiting areas prior to their eventual re-opening to the public.
- b) We reiterate our recommendation that the Correctional Center analyze all money upon initial collection to determine if any bills are counterfeit. Verification of the legitimacy of collected cash should be performed prior to the consolidation and booking of funds to an inmate’s account. This should be done on an individual cash receipt basis, using the newly provided counterfeit money detection pens, markers and/or machines or the two pre-existing counterfeit money detection machines, to identify which individual deposit may contain counterfeit bills.

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LAURA CURRAN
COUNTY EXECUTIVE



JAMES DZURENDA
SHERIFF

SHERIFF'S DEPARTMENT
NASSAU COUNTY CORRECTIONAL CENTER
100 CARMAN AVENUE
EAST MEADOW, NY 11554
(516) 572-4100

Via EMAIL: JSchnirman@nassaucountyny.gov

May 20, 2021

Honorable Jack Schnirman
Nassau County Comptroller
240 Old Country Road
Mineola, NY 11501

Dear Comptroller Schnirman;

Please find the Correctional Center's response to the Limited Review of the Nassau County Correctional Center's Commissary Operation.

I was appointed Sheriff of Nassau County in March of 2020 at roughly the same time your office completed the field work portion of the audit. With over 35 years of comprehensive correctional center experience, I have extensive knowledge of Inmate Banking and Inmate Rehabilitation Accounts, Commissary operations, and peripheral operations which are directly related to each area of focus.

Our corrective action plan consists of crafting new policies and procedures intended to strengthen internal controls, increase transparency, create operational efficiencies and to safeguard both inmates and taxpayer funds. As mentioned in our audit closing meeting, our agency is developing an RFP to utilize new software and technologies to efficiently coordinate the processing of commissary orders, as well as eliminating the department's handling of inmate cash. This becomes a long-term solution that we are confident will maintain the operational timelines as noted in the department's response. Our short-term goals are to create various standard operating procedures documenting current practices and management of the Commissary Unit.

I appreciate the professionalism, assistance and guidance that you afforded us in reviewing the Commissary Operation. We believe our corrective action responses address the concerns and recommendations expressed in the Audit.

Sincerely yours,

James E. Dzurenda
Nassau County Sheriff

CC: Tatum Fox

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Paul Broderick
Ana Sousa
Sean F. Jones
Jeff Schoen
Kim Brandeau
JoAnn Greene
Allison Pace

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Correctional Center's Planned Corrective Action Plan:

AUDIT FINDING (1):

The Correctional Center is in the process of creating Commissary Standard Operating Policies and Procedures (SOPs) which will address business planning processes towards identifying and capturing all Commissary costs in-order to strengthen fiscal oversight of the Unit. The SOPs will include the calculation and allocation of all direct and indirect staffing costs, as well as the identification of all other related expenses including cost of goods, delivery charges and any other miscellaneous or required expenses incurred by the Commissary Unit. These SOPs are estimated to be established and implemented no later than September 30, 2021.

The SOPs will include an official statement stipulating the timing and process for determining the amount of money to be transferred from the Commissary Inmate Exchange Account to the Correctional Center General Fund Account for the covering of payroll expense for Correctional Officers assigned to the Commissary Unit.

AUDIT FINDING (2):

In order to prepare accurate monthly Profit and Loss Statements, the Correctional Center is in the process of developing SOPs which will include business planning processes in order to properly record and capture all Commissary related revenues and expenses for the production of accurate and timely monthly financial records and Profit and Loss Statements. The Commissary SOPs will include internal controls requiring that completed statements be signed and dated by preparer and reviewed and signed off by Supervisor. The procedures will also provide for the Statement to be reviewed, signed, and dated by the Sheriff's Administrative Office as part of a monthly analysis of Commissary Unit's financial performance. These SOPs are estimated to be implemented no later than September 30, 2021.

AUDIT FINDING (3A):

The Correctional Center is in the process of evaluating all work processes throughout the facility, which includes the Commissary Unit. As part of the development of the Commissary SOPs, all personnel assignments associated with operating the Commissary Unit will be re-assessed to determine the most cost effective, efficient, and safe use of Correctional Center staff.

AUDIT FINDING (3):

As previously reported, the Correctional Center's creation and implementation of Commissary SOPs will serve to train Commissary staff as well as improve operational and financial performance. The Correctional Center will conduct an internal study of Commissary operations in order to identify areas that will require further development. Neighboring county correctional centers will be contacted for tours of their Commissary Operations to identify best practices for potential implementation at Nassau County's Correctional Center. SOPs will be revised accordingly. It is anticipated that this corrective action will be completed by December 31, 2021.

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As suggested by Comptroller, the Correctional Center will conduct research of the pros and cons of implementing technological advancements that may enhance the efficiency of the daily operation of the Commissary Unit. This will be further addressed when the Sheriff's Administrative Office visits with neighboring county Commissary units. Additionally, the Correctional Center is exploring the possibility of using outside software and technologies to manage the Commissary.

AUDIT FINDING (4):

The Correctional Center will develop an SOP for the internal use of established Petty Cash Funds in accordance with the Nassau County Comptroller's Directive 1: Petty Cash Accounts. The Correctional Center will seek legal counsel input from both the Comptroller's Office and County Attorney when developing the Petty Cash SOP. The following items raised in the Audit Report will be addressed in the SOPs:

- establishment, maintenance and review of petty cash logs,
- use of County's travel services contractor for the arrangement and purchase of travel arrangements,
- reimbursement of meals purchased for inmates during transport,
- permitting use of petty cash for reimbursement of employee out of pocket EZ Pass and gas expenses; and
- use of County owned EZ Passes.

The SOP will be finalized, implemented and disseminated to all Correctional Center personnel on or before September 30, 2021.

Lastly, the Sheriff's Administrative Office will conduct a petty cash review to determine the amount of necessary petty cash balances to have on hand. The Correctional Center Accounting staff will chart petty cash activity over the next 12 months to determine if current petty cash balances are enough for the Department's requirements. County approval will be sought for any adjustments to petty cash balances and the SOPs will be updated accordingly.

AUDIT FINDING (5):

After consultation with the Nassau County Treasurer, it was determined that the bank charges to date were unavoidable. As such, the Correctional Center Accounting Unit has been tasked with identifying the amount of bank charges that have been incurred against the Inmate Account and will reimburse the Inmate Account from the Commissary Operating Account. This reimbursement will be completed no later than September 30, 2021.

Further, the Correctional Center will work in conjunction with the Treasurer's office in pursuing banking alternatives that will eliminate or at a minimum reduce bank fees. New bank accounts will be established no later than September 30, 2021.

AUDIT FINDING (6):

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The Correctional Center Inmate Accounts Unit will write off the \$7,077 adjusting entry by transferring profits from the Commissary Operating Account to the Inmate Account. This adjusting entry will be completed no later than June 30, 2021. Further, the Correctional Center will develop a Cash Disbursement SOP which will include oversight procedures that will prevent a similar error from re-occurring.

AUDIT FINDING (7):

The Correctional Center with support from the Office of Management and Budget Audits, Grants and Quality Assurance Unit is researching procurement guidelines for the Commissary Unit that will conform with Nassau County's Procurement Policy while also addressing unique product and jail safety considerations. A Procurement SOP will be documented, implemented and disseminated to all Commissary staff for compliance in making future Commissary inventory purchases. The Procurement SOP will be in place by September 30, 2021.

AUDIT FINDING (8):

The Correctional Center, with support from OMB Audits, Grants, and Quality Assurance Unit, will create a Cash Disbursement SOP, which will consider all Comptroller's Audit Recommendations. When finalized, SOP will be disseminated to and implemented by all Correctional Center staff involved in disbursing cash. The SOP is expected to be established and implemented on or before September 30, 2021.

AUDIT FINDING (9):

The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will develop an SOP documenting the collection, processing, reporting, and depositing of daily cash receipts. The SOP will include all cash receipt procedures recommended in the Comptroller's Audit Report as well as consider the guidance included in the Comptroller's Control Directive 3: Cash Receipts. When finalized, the SOP will be disseminated to, and implemented by, all Correctional Center staff responsible for receiving cash. The SOP will be established and implemented on or before September 30, 2021.

In addition, the Correctional Center Accounting Unit has been tasked with researching the origins of the \$436 difference between the ending balance of the prior accounting system (JCON) and starting balance of the new system (IMACS). Based on the results of the Accounting Unit's investigation, an adjusting entry will be made to reconcile all affected accounts. The newly established cash receipt SOP will ensure similar errors do not reoccur. It is anticipated that this corrective action will be completed by no later than September 30, 2021.

AUDIT FINDING (10):

The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will create an SOP addressing methodology for the pricing of Commissary items that is in accordance with minimum standards and the generation of modest returns for the Commissary to be a self-sustaining entity. Additionally, the SOP will address steps for Commissary Unit Management to

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track operational data and sales activity to support the setting of future pricing of Commissary items. The SOP is estimated to be established and implemented no later than December 30, 2021.

AUDIT FINDING (11A, 11C, AND 11D):

The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will document and create an SOP for the timely and accurate procurement, receipt, recording, counting, safeguarding, and reconciling of Commissary inventory items. Consideration will also be given to the disposition of unsaleable items. When finalized, the SOP will be disseminated to, and implemented by, all Correctional Center staff involved in handling inventory items. It is anticipated that the SOPs will be established and implemented on or before September 30, 2021.

AUDIT FINDING (11E):

On or before June 30, 2021 the Sheriff's Office will relocate inventory items at non-functioning Correctional Center locations to the central Commissary location for future sales or disposal, if non saleable.

AUDIT FINDING (11B):

Corrective action has been taken. A verbal order was issued on November 1, 2020, followed by a written memo on May 17, 2021 confirming the earlier verbal order by the Sheriff's Administrative Office directing the staff to cease the current practice of assigning inmates to work in the Commissary Unit until a policy has been drafted establishing a new inmate worker program based on safety conditions and supervision in line with the audit recommendations.

AUDIT FINDING (12):

The Correctional Center will work with OMB to secure additional funding for the 2022 Operating Budget in-order to procure facility stationery and postage for indigent prisoners as required by NYSCOC minimum standards. The Correctional Center with the support of OMB Audit, Grants and Quality Assurance will develop Standard Operating Policy and Procedures addressing proper inventory management controls towards the separation of indigent and saleable Commissary inventory items. When finalized, these SOP will be disseminated to, and implemented by all staff involved in handling and distributing Indigent Inmate Items. The SOP will be established and implemented on or before September 30, 2021.

AUDIT FINDING (13):

Corrective action has been taken. A verbal order was issued on November 1, 2020, followed by a written memo on May 17, 2021 confirming the earlier verbal order by the Sheriff's Administrative Office directing the staff to cease the current practice of assigning inmates to work in the Commissary Unit until a policy has been drafted establishing a new inmate worker program based on safety conditions and supervision in line with the audit recommendations.

AUDIT FINDING (14):

The Correctional Center with support from OMB Audits, Grants, and Quality Assurance Unit will create SOPs for all Commissary and Inmate Accounts functions. These procedures will include,

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but not be limited to, all functions and procedures identified by the Comptroller's Office. When finalized, the SOPs will be disseminated to, and implemented by the appropriate Correctional Center staff. These SOPs will be established and implemented on or before September 30, 2021.

AUDIT FINDING (15):

The Correctional Center's newly implemented IMACS system does include capabilities for the processing of Commissary purchases as well as generating sales reports, operational statistics, and analytical data to help Correctional Center management efficiently run the Commissary. The Sheriff's Administration Unit will review with Nassau County IT opportunities for additional IMAC system staff training and software upgrades by December 31, 2021. The use of updated IMAC system processes will be included in any SOPs noted herein.

AUDIT FINDING (16):

The Correctional Center in consultation with the County Treasurer will open a new bank account titled Rehabilitation and Welfare to solely account for profits resulting from the Commissary Unit Sales activities. The Correctional Center Accounting staff will identify previous profits which have not yet been spent on prisoner rehabilitation and welfare for transfer into this new bank account. The new bank account will be established on or September 30, 2021, and previous profits will be identified and deposited no later than September 30, 2021.

AUDIT FINDING (17):

The Sheriff's Department agrees with the Comptroller's Office regarding the necessity of counterfeit money detection. The Correctional Center currently has counterfeit money detection machines in two areas- Bail Reception and Inmate Accounts. The Correctional Center will provide Corrections Officers with counterfeit money detection pens, markers and/or machines at the visiting areas prior to their eventual re-opening to the public.

Appendix J – Correctional Center 6/22/2021 Response

LAURA CURRAN
NASSAU COUNTY EXECUTIVE



JAMES E. DZURENDA
SHERIFF

NASSAU COUNTY SHERIFF'S DEPARTMENT

June 22, 2021

Honorable Jack Schnirman
Nassau County Comptroller
240 Old Country Road
Mineola, NY 11501

Dear Comptroller Schnirman,

Below please find the Commissary Audit Responses for Audit finding Number 4, Number 7 and Number 12.

Commissary Audit Finding Number 4:

In in line with the Audit Findings, Effective June 30, 2021 the Sheriff's Department has cease and desist the practice of using ineligible funds to prepay staff for Business related travel/petty cash expenses.

All use of Petty Cash must be in line with the Nassau County Office of the Comptroller's Control Directive 1: Petty Cash Accounts.

Each month the Petty Cash Account will be reconciled by the Custodian of the Petty Cash Account and will be verified by the Budget and Finance Supervisor for accuracy.

The Sheriff or Sheriff's designee are the only authorizing party to make any changes to the Nassau County Sheriff's Department Correctional Center Petty Cash Account procedure.

Commissary Audit Finding Number 7:

The Commissary Unit does not use the Central Purchasing Department for fiduciary activity, and it is not on ADPICS (Advanced Purchasing Inventory Control System) and NIFS (Nassau Integrated Financial System). The current Jail Management System (or prior system) does not interface with the ADPICS or

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Appendix J – Correctional Center 6/22/2021 Response

NIFS systems. The Commissary Procurement Policy will however follow the County Procurement Policy concepts and practices for all procurement activities, ensuring transparency with the vetting of vendors (acquiring a minimum of three quotes) and supervisory review of the purchasing, processing, and monitoring of the day-to-day purchases of goods and services. Oversight will ensure that contracts with the suppliers are adhered to and that prices do not change arbitrarily.

Commissary Audit Finding Number 12:

In response to Commissary Audit finding number 12, all envelopes provided to inmates through the Commissary Unit or to indigents inmates are pre-printed with the facility return address.

In addition to the above listed completions the follow Audit Findings have been addressed and completed.


Audit Finding 3A Commissary Workers

Audit Finding 11E Relocate Non-Salable Items

Audit Finding 12A Indigent Inmate Item Not Maintained Separately from Saleable Commissary Items

Audit Finding 17 Counterfeit Detector Pens/Visiting

Sincerely,



James E. Dzurenda
Sheriff

