



**DETENTION CENTER COMMISSARY
COMPLIANCE & PROCEDURES
AUDIT REPORT**

**FOR THE PERIODS OF
JULY 1 THROUGH DECEMBER 31, 2017**

**Ernest Harvin, CIA
Internal Audit Function
Doña Ana County**

**Detention Center Commissary
Compliance & Procedures Audit Report
Table of Contents**

EXECUTIVE SUMMARY	3
AUDIT SCOPE & OBJECTIVES	4
OPERATING & INTERNAL CONTROL RISKS	4
DETAIL OF AUDIT FINDINGS	4
FINDINGS & RECOMMENDATIONS	4

May 22, 2018

2

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Vincent Pokluda, Assistant County Manager (Administration)
CPT Vicki Hooser, Interim Director Detention Center

EXECUTIVE SUMMARY

The Doña Ana County (DAC) Detention Center (DC) has an adult detention facility and a juvenile detention center. More details about the department can be found by accessing the following link: [Detention Center | Doña Ana County, NM \(donaanacounty.org\)](http://donaanacounty.org). The internal auditor started an internal audit of the Detention Center's *Commissary Operations on April 12, 2018. The fieldwork was completed on May 22, 2018. An Entrance Conference was conducted with the Detention Center's Administrative Services team and Aramark's Food Services Director as a means of informing all involved, of the upcoming audit and its scope.

The audit program was based largely upon Doña Ana County's current contract with Aramark. Therefore, focus was upon contract compliance as well as procedures utilized to verify the accuracy of commissions received by Doña Ana County (DAC) from the contractor, Aramark Correctional Services, LLC, hereinafter referred to as Aramark or the Contractor. A number of ancillary and auxiliary areas were reviewed, to include the collection, tracking, and distribution of Trust Fund (former Inmate Welfare Fund) monies, and Commissary inventory procedures. The audit period covered the first and second quarters of Fiscal Year 2018.

While reviewing procedures pertaining to Commissary operations, we noted multiple weaknesses in internal controls within the contractor's operations. However, a review of our contract indicated that Aramark is obligated to indemnify DAC for losses that could occur related to the weaknesses noted. Therefore, by the very nature of the contract, control weaknesses noted for the contractor did not equate to a higher risk assessment for DAC. We found minor discrepancies pertaining to contract deliverables, which we noted within the "Findings, Recommendations, Management Responses and Auditor Comments" section of this report. However, a Moderate-level risks/finding pertaining to DAC not receiving commission payments on a weekly basis from Aramark, and a High-level risk/finding (which represents a material weakness that needs to be addressed immediately) wherein DAC does not possess the title for 18 kiosks purchased, were the most serious contract-related issues we found.

We found that Standard Operating Procedures (SOPs) that govern daily operations were consistently lacking important guidance and duty-specific details, both within DAC and Aramark (this weakness is noted as it could adversely affect DAC). We also noted Moderate-level risks in (1) the accountability of fixed assets and sensitive items, (2) the reconciliation processes for DAC's commissions, along with (3) the lax safeguarding of commission monies received from Aramark. We found the need for improvements in accounting for fixed assets and sensitive items, along with a need for loss prevention measures for the Trust Fund.

May 22, 2018

3

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* - The audit did not include a review of the mandated Commissary services that stem from preparation and delivery of regular hot meals to Detainees. Instead, the use of the word ‘Commissary’ refers to the delivery of morale-related food and hygiene items sold by a vendor (Aramark), for profit.

AUDIT SCOPE & OBJECTIVES

The audit of the Commissary Operations for the Doña Ana County Detention Center covers the period of July 1, 2017 through December 31, 2017. The scope of the audit focused upon assessing the internal controls over commissary operations. This entailed a

- (1) Review of commissary operations for contract compliance to determine that terms of the contract are being followed and adequately monitored.
- (2) Review of financial processes for accounting accuracy and completeness.
- (3) Documenting and assessing of related internal controls to determine whether they are adequately designed and operating to prevent, detect, or correct misstatements or irregularities on a timely basis.

The objectives of this audit were to determine that controls associated with Commissary operations were in place and operating effectively to mitigate (prevent or detect) risks, and that contract requirements for Commissary operations were being fulfilled.

OPERATING & INTERNAL CONTROL RISKS

This report contains sixteen (16) findings and thirty (30) recommendations. This report contains eleven (11) Low-level risks/findings, four (4) Moderate-level risks/findings, and one (1) High-level risk/finding. This report also includes the auditor’s Recommendations, Management Responses, and Auditor Comments (as applicable).

DETAIL OF AUDIT FINDINGS

Risk ratings are based on professional judgment to assess the extent to which deficiencies could adversely affect the performance of systems and controls of a process. More details about the risk rating in this report can be found by accessing this link:

[Audit Risk Ratings | Doña Ana County, NM \(donaanacounty.org\)](http://donaanacounty.org)

FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES AND AUDITOR COMMENTS

The evidence obtained provides a reasonable basis for the findings and conclusions below, based on audit objectives. As a result of interviews, observations, reviews of New Mexico State Statutes, DAC Policies & Procedures, Detention Center SOPs, and tests performed, the following
May 22, 2018

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results were recorded. While management responses are included within this report, the Audit takes no responsibility for the sufficiency of said responses, nor for the effective execution of corrective actions taken or to be taken by management. **NOTE:** Manager Responses below are written in *italics*.

Contract-related Findings. Low.

1. **Condition:** The contract is currently not being evaluated by the Commissary Detention Center (CDC) Director.

Effect: The condition above represents a violation of the contract.

Criteria: Per Contract 11-116, Section II, Scope of Services, Employee Related Process 4.E. (Pg. 7 of 21), the contract is to be evaluated at least quarterly by the CDC or his Designees.

Cause: The Detention Center Director or Designee (Administrative Services Team) has not informed the CDC Director of the criteria to utilize in conducting quarterly evaluations.

Recommendation: This criterion is Inmate/Detainee morale based. Thus, we recommend that the Detention Center Director or an Administrative Services Team member coordinate with the CDC Director to develop criteria to be used to produce written, quarterly evaluations, per the contract.

Manager's Response: *The Administrative Services team along with the CDC Director will conduct a quarterly review of the contract. The review will consist of inspections conducted during the quarter to ensure the contract is being followed. Findings from inspections will be documented and reviewed for corrections/actions taken to address items found and will be kept on file in the Administrative Services office and a copy forwarded to the Detention Center Administrator.*

2. **Condition:** Detainees sign for commissary items even when those items are missing. The Aramark staff notates the missing items on the receipt but keep both copies of the receipt until the missing items are delivered.

Effect: The current practice leaves the Detainee no independent means of providing proof that Aramark owes him/her certain items.

May 22, 2018

5

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Criteria: Aramark is very consistent in other areas with providing the Detainees proof of their purchases. Thus, this is the only repetitive event noted wherein Detainees maintain no means of proving that they are owed items from the Commissary.

Cause: Aramark staff leave the Detainees no means of proof that they paid for an item that was not received.

Recommendation: When Detainees pay for items they do not receive, signing a receipt indicates agreement with what is written on the receipt. While Aramark staff note the deficiency on the receipt, the Detainee is not remitted a copy of that receipt. We recommend that the Administrative Services Team ensure that Aramark remits some form of evidence to the Detainees who sign for but are still pending items purchased from the Commissary.

Manager's Response: *A form will be created and utilized to address this issue by contractor. The form will consist of the detainees' name, date, items missing and contractor staff name that entered information. This form will be maintained and updated by contractor.*

3. **Condition:** When asked for the organizational chart and job descriptions for all personnel in the commissary, the CDC Director stated that he has job descriptions for management personnel, but not for all positions. However, he does not have an organizational chart.

Effect: The conditions above represent contract violations.

Criteria: Per Contract 11-116, Section II, Scope of Services, Staff Requirements Commissary – Staff Plan.....3 (Pg. 6 of 21), the contractor will provide an organizational chart and job descriptions for all personnel with their proposal.

Cause: An organizational chart and job descriptions for all personnel are not provided.

Recommendation: The auditor notes that an August 2009 Internal Audit of the Detention Center also cited the lack of an organization chart and the need to distribute it, which indicates a pattern. We recommend that the Administrative Services Team acquire an organizational chart and job descriptions for all Aramark Commissary personnel.

Manager's Response: *An organizational chart will be provided by the contractor as well as an updated staffing roster. This will be maintained and updated by contractor and available upon request.*

May 22, 2018

6

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4. **Condition:** Upon inquiring about a contingency plan, the CDC Director replied that a plan exists but not in writing.

Effect: The condition above represents a contract violation. Without a written plan, not everyone involved may be aware of contingency emergency procedures, thereby hindering efforts to continue providing contracted services.

Criteria: Per Contract 11-116, Section III, Additional Agreements, D. Contingency Emergency Plan (Pg. 8 of 21), the Contractor shall submit for the review and approval of the Detention Center Director a contingency emergency plan to provide for continuation of commissary service in the event of a Force Majeure.

Cause: The Contractor has not yet penned and remitted a contingency emergency plan.

Recommendation: We recommend that the Detention Center Director require the Contractor to produce a written contingency emergency plan, in the event of a Force Majeure, per the contract.

Manager's Response: *A contingency plan will be provided by the contractor and kept on file. The contingency plan will be in place and reviewed annually by the Administrative Services Department.*

5. **Condition:** While other areas of the Detention Center issue debit cards with money in the account, to discharged Detainees, the Juvenile Center lacks this capability and only issues checks.

Effect: The condition above represents a contract violation.

Criteria: Per Contract 11-116, Section II, Scope of Services, Release Debit Cards (Pg. 5 of 21), the Contractor must provide a release debit card, when Detainees are released.

Cause: The system in the Juvenile Center has not been updated to allow debit cards to be issued to Detainees upon release.

Recommendation: The Contractor should either upgrade their current system in the Juvenile Center, or issue debit cards to Juvenile Center Detainees via the updated system from the Adult wing of the Detention Center. Per the contract, this is the Contractor's responsibility.

Manager's Response: *The new contractor Keefe is bringing in an updated system to*

May 22, 2018

7

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ensure that the Juvenile Detention Center Detainees are provided the same services as the Adult Detainees.

Contract-related Findings. Moderate.

6. **Condition:** The Accounting Data Specialist does not receive checks from Aramark on a weekly basis.

Effect: The Contractor's actions cause the County to repeatedly find itself in violation of New Mexico State Statute, NMSA 1978 § 6-10-36.1, Receipts of Public Money; Disposition by Certain Municipalities. In addition, the above action violates the current contract.

Criteria: Per Contract 11-116, Attachment B, Section II, Payment schedule (Pg. 10 of 21), commission payments will be made weekly to the Detention Center. Per New Mexico State Statute, NMSA 1978 § 6-10-36.1, Receipts of Public Money; Disposition by Certain Municipalities, "A municipality or village having within its boundaries no suitable banking facility in which to deposit collected receipts of public money shall deposit receipts within a period not to exceed five days from the date of collection."

Cause: The Commissary Manager may hold checks up to two weeks before remitting them to the Accounting Data Specialist.

Recommendation: We recommend that the Accounting Data Specialist expand the current log to include the date of receipt for each check received from the Contractor. We further recommend that the Accounting Data Specialist follow up with the Contractor when necessary, or report to the Administrative Services Team, any and every occurrence wherein a check is not received weekly from the Contractor.

Manager's Response: *The Accounting Data Specialist does keep redundant records to record the date a check is received from Commissary on computer. The Accounting Data Specialist will contact Commissary if the weekly check is not received by Wednesday of any given week.*

Contract-related Findings. High.

7. **Condition:** Doña Ana County paid \$44,100.00 for 18 kiosks, to which the County currently does not hold title.

May 22, 2018

8

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Effect: The value of the 18 kiosks represents a material amount (16.6%) of the Commissary's annual budget. If the current Contractor leaves without DAC holding title to the kiosks, then the County has no proof of ownership.

Criteria: Per Contract NO. DAC 11-116 R-3, A-2, #5, the Contractor will issue a written certificate transferring title of the additional equipment to the County.

Cause: The Contractor reportedly gave the titles to the former Detention Center Director, however neither Finance's Asset Management, nor the current Detention Center Director have a copy of said title(s).

Recommendation: We recommend that the Detention Center Director request Aramark's Corporate Office to remit the original title(s) or at least copies of the original title(s). Upon obtaining the titles, Finance's Asset Management should be given a copy.

Manager's Response: *The Commissary Manager has spoken with Aramark Corporate about the issue. As soon as the proof of ownership is obtained by the DACDC (Doña Ana County Detention Center), a copy will be forwarded to the Asset Management Department.*

Auditor's Comments: The internal auditor was provided on July 2, 2018 via email, with a copy of the kiosk title as the Detention Center Director has acquired the Transfer of Title for the 18 kiosks.

DACDC Accounting Findings. Low.

8. **Condition:** We found the following areas wherein control weaknesses exist, while reviewing the functions of the Detention Center's Accounting Data Specialist. The Accounting Data Specialist -

- Has the only key/access to his lock box wherein he keeps petty cash
- Does not have a spare key for the visitor lockers
- Stores almost one decade of financial data on the H-Drive, unprotected by a password
- Does not have an SOP requirement to have funds turned in before COB on the final business day of the fiscal year

Effect: As keys are items that can be easily misplaced or lost, without the existence of an extra or spare key normal operations can be adversely affected if the main key holder loses his/her keys.

Data that is used only by one or two individuals, but exists on a digital drive that can be

May 22, 2018

9

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accessed by multiple users, is exposed to a higher risk of accidental manipulation or deletion.

SOPs direct the actions of its users, without which individuals may not be aware of standards that need to be met. In this case, the current Accounting Data Specialist consistently remits funds before fiscal year-end, however this important function should be chronicled to direct future Accounting Data Specialists or alternates.

Criteria: It is important that someone (perhaps in the Finance Department) have an extra key for the lock box in the event that the main key is lost or misplaced. The Detention Center Director should also control an extra key for the visitor lockers in the event the main key is lost or misplaced. Important digital data should be protected against accidental manipulation or deletion. In addition, SOPs should direct when funds should be turned in for fiscal year end.

Cause: The Accounting Data Specialist appears to be competent and consistent in carrying out his duties. However, management has not yet made preparations to ensure that operations could continue in the absence of the current Accounting Data Specialist.

Recommendation: We recommend that -

- A designated person in the Finance Department retain an alternate key to the Accounting Data Specialist's lock box
- The Director of the Detention Center or a Designee retain an alternate visitor locker key
- Important files are password protected to lessen the chances of unintentional manipulation or deletion
- Coordination with Finance is made, to learn the deadline time and date for the year-end turn-in of monies. This should be chronicled in an office SOP.

Manager's Response: *The lockbox is a combination lock not a keyed lock, so no key is required for entry into the lockbox. There are spare keys for the Visitors Lockers, which is controlled by the Key Control Manager. The information on the H Drive is password protected in order to access the information a person either would be working in IT or would have to know the Accounting Data Specialist's password to access his personal drive. Codification of the Accounting Data Specialist duties, policy and procedures are in progress at the Department Level.*

May 22, 2018

10

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DACDC Accounting Findings. Moderate.

9. **Condition:** We found other areas wherein control weaknesses exist, while reviewing the functions of the Detention Center's Accounting Data Specialist. Currently, the Accounting Data Specialist -

- Determines DAC's commissions only by recalculating Aramark's data, with no review of independent or external data
- Does not restrictively endorse checks upon receipt and review
- Leaves checks unsecured in a desktop inbox until taking them over to the Finance Department (amounts over \$5,500.00 breach the 2% of gross income materiality threshold)
- Transports checks in a large envelop, not a locking moneybag
- Turns in checks to Finance but receives no receipt
- Is the only person who knows his job, as he has no backup or alternate, and no written SOPs of his duties

Effect:

- When commissions are calculated based solely on the numbers remitted by the Contractor, there exists a lower level of verification than would be achieved from reviewing data from an external source
- When checks are not restrictively endorsed, left in a desktop inbox, and transported without the benefit of a locking moneybag, County funds are exposed to a higher risk of loss or theft.
- Without a receipt, there exists a lack of immediate proof that the individual actually remitted the funds as required. Receipts protect the remitter as proof that funds were turned in to the appropriate department
- When only one person knows a set of duties or job functions, and no SOP exists to educate and guide a replacement then the County is vulnerable to functions not be completed correctly nor in a timely manner, in the event the employee no longer works for DAC

Criteria:

- The internal audit profession supports the trust but verify concept, particularly when it comes to monies. The Accounting Data Specialist should have some means of matching the Contractor's data to an independent source
- Common practice advocates restrictive endorsement of financial instruments, and keeping public funds secured at all times
- It is standard practice to obtain a receipt when remitting money
- SOPs chronicle duties that are necessary for the County to function and meet its daily objectives. They also set a standard by which performance can be judged. It is a

May 22, 2018

11

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sound practice for employees to have an alternate, whenever practical so that functions can continue in an employee's temporary or permanent absence.

Cause: The conditions that exist above may all be traced to a lack of management oversight.

Recommendation: The Internal Auditor noted that while both the Detention Center and the Treasurer's Office performed some oversight for Commissary commissions, the two do not communicate with each other. Herein, only the Treasurer's Office receives a copy of the monthly bank statement however, no one in this office recalculates DAC's commission rate. Therefore, we recommend that once per month the Accounting Data Specialist should also receive a copy of the bank statement, and compare the data in the documentation he receives to the numbers in the bank statement, performing this on a rotating basis so that each account (Adult, Juvenile, Icare) are reviewed at least quarterly, for the purpose of conducting independent oversight.

Additionally we recommend that checks are restrictively endorsed, secured in a lock box while in the office, and transported in a locking moneybag to the Finance Department. The Accounting Data Specialist should also request a receipt of the Finance Department when turning over monies, even if he pre-prints this receipt and gets it signed by Finance personnel.

We also recommend that the Accounting Data Specialist chronicle his duties in SOPs, in enough detail to allow an alternate to perform those duties. Finally, we recommend that Detention Center management have the Accounting Data Specialist cross-train an alternate. The auditor notes that an August 2009 Internal Audit of the Detention Center cited a similar discrepancy in that there was only one trained payroll administrator, which indicates a pattern.

Manager's Response: *DACDC will request a DAC Restrictive Endorsement Stamp to restrictively endorse Contractor Checks made Payable to Dona Ana County. This stamp will be maintained in the Accounting Data Specialists office. DACDC will request Contractor Bank Statements connected to account that issues the Commission Checks in order to independently verify the commission checks remitted to DAC.*

Other Administrative Offices Finding, Low.

10. **Condition:** Conversations with the Accounting Specialist, the Accounting Data Specialist, and Finance's Accountant II revealed that the Finance Department makes out petty cash refund/replenishment checks to the individual petty cash custodian, per current policy guidance, and the individual petty cash custodian cashes the checks at a local bank

May 22, 2018

12

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Internal Audit Function
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Las Cruces, N.M. 88007
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and replenishes the petty cash Fund.

Effect: Checks made out to an individual, arguably belong to that particular individual, and not to the County. This places the County at risk for a loss of funds.

Criteria: The current policy in place, signed by a former County Manager, gives guidance to the Finance Department to replace petty cash expenditures by writing a check out to the individual petty cash custodian. However, if an individual does not replenish the petty cash with those funds and leaves County service, our HR policy only addresses the County's ability to recoup that money if the individual has accumulated leave days in the system.

Cause: The current policy gives such guidance.

Recommendation: A conversation with the Treasurer revealed that his office is willing to cash these checks and render the funds directly to the petty cash custodian, as the Treasurer can cash checks made out to DAC. We recommend the current policy be modified, so that petty cash refund/replenishment checks are made out to DAC in care of the particular petty cash custodian. We further recommend that the policy be amended to require the Finance Department to reimburse the Treasurer's Office in the event of a returned petty cash check due to NSF.

Manager's Response: (Finance Director)

We disagree with the auditor for condition #10 due to the following:

- Petty cash custodian signs the statement of responsibility which states that "If there is a shortage in the fund which cannot be explained to the appropriate authorities, I hereby authorize the County to deduct the same amount from any wages or other pay which may be due to me, and I promise to pay the county any deficiency not covered by those monies immediately upon notification."*
- Petty cash custodian is liable for the original amount of petty cash approved and prerecorded in Banner every time it is reimbursed*
- Rendering the funds directly to the petty cash custodian by the Treasurer for cashing a check made out to Doña Ana County is not any different than making the check out to the petty cash custodian; the petty cash custodian can "keep" the money and not replenish the petty cash*
- Weekly communication between Finance and the Treasurer's Office occurs for both Payroll and Accounts Payable to ensure that there are sufficient funds in the County's depository bank account to cover all checks written by the*

May 22, 2018

13

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County. Therefore, there should be no reason for a returned petty cash check(s) due to Non-Sufficient Funds (NSF).

- *Former County Manager that provided guidance to the Finance Department and approved the petty cash policy was a Certified Public Accountant (CPA) and an experienced auditor*

Auditor's Comments:

While the internal auditor was and is aware that the Petty Cash policy requires the custodian to sign a statement of responsibility form, it is noted that the policy fails to account for how missing monies would be collected from someone unwilling to return monies, if it became necessary. A review of DAC Policy, Section XI, 11-4 reveals that, "Any money due to the County as a result of missing...county property or other unpaid debt shall be...presented to the employee for payment. If the employee is due payment for accrued leave, the amount owed to the county will be offset prior to final payment." What the above policy fails to address is how the County would collect monies if the employee left without voluntary repayment or without having accrued leave from which to withdraw the payment. This appears to be an area wherein our current policies could be improved upon.

The internal auditor still supports keeping the petty cash replenishment within DAC. However, the petty cash amount fails to reach a level of materiality for the purpose of this audit, and management is well within its rights to accept any risks not explicitly addressed in the policies.

Other Administrative Offices Finding. Moderate.

11. **Condition:** Upon reviewing the limited, monthly documentation that the Accountant III (Treasurer's Office) receives from Aramark, we determined that it is impractical to attempt a reconciliation. Herein, the current packet is missing documentation needed to conduct a proper reconciliation of Aramark records to the monthly bank statements. A conversation with the Accountant III revealed that she was only verifying via recalculation, the numbers on Aramark's internal reconciliation.

Effect: Recalculation of Aramark's reconciliation does not verify that transactions occurred external to the contract entity (Contractor).

Criteria: Verification of internal contractor financial transactions should occur by comparing them to independent or outside source documents, such as a bank statement.

Cause: The Accountant II was not aware that the contract Trust Fund Administrator has more in-depth documentation, which can be utilized to match internal transactions to

May 22, 2018

14

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bank statement transactions.

Recommendation: We recommend that the Accountant III require the entire packet of supporting documentation from Aramark, so that a proper reconciliation of Aramark's records to the monthly Trust Fund bank statement can be conducted.

Manager's Response: The Treasurer's office disagrees with the aforementioned finding.

*The contract between Doña Ana County and Aramark explicitly states under **Trust Accounting/Inmate Banking Operations**, Item 2, that (the) "Contractor is responsible for all bookkeeping and reconciliation of the inmate trust account." This is a fiduciary relationship in which the Treasurer's office has no right to inquire or direct. The Treasurer's Accountant III (corrected from above) only has the responsibility to generate entries to keep the correct balance in the county's financial system.*

In addition, it is important to add that the funds that are being reconciled are not County owned funds. The contractor acts as a third party Trustee for of the inmates.

The Treasurer recommends that any reconciliation findings be directed to the Contractor and the Detention Center respectively.

Auditor's Comments: At the time of our audit, only the Treasurer's Office received a bank statement from the Contractor, putting that office in the best position to conduct oversight on the data received from the Contractor. The spirit of the recommendation is that Doña Ana County should remain vigilant by conducting some form of oversight as errors or omissions can occur via the Contractor.

In light of the Treasurer's valid statement concerning directing reconciliations toward the Contractor and/or Detention Center, this auditor refers to the recommendation in bullet #9, above, requesting that the Detention Center's Accounting Data Specialist also receive a banking statement, which may be referenced as data verification for oversight purposes.

Other Administrative Offices Finding. Low.

12. **Condition:** The Administrative Assistant in Finance who receives checks from the Accounting Data Specialist -

- Does not render a receipt (see finding #9) upon receiving checks
- May keep these checks in her unlocked desk drawer during the day
- Currently transports checks to the Treasurer's Office in an oversized envelop

Effect: Without a receipt, the Accounting Data Specialist is exposed to a risk as he has no documentation to support that he did indeed remit checks to the Finance Department.

May 22, 2018

15

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Checks kept in an unsecured drawer are vulnerable and subject to misappropriation. Checks that are not transported in protected means are more vulnerable to loss or being misplaced while in transit.

Criteria: Common practice promotes protecting the check remitter with a means of verifying delivery of monies, as well as keeping public monies secured at all times.

Cause: SOPs are needed to give the necessary guidance to address the conditions cited above.

Recommendation: We recommend rendering a receipt for monies received. In addition, we recommend securing checks in a lock box, and transporting checks in a locking moneybag. An SOP should be developed and/or modified to include the practices recommended.

Manager's Response: (Finance Director)

We disagree with the auditor for condition #11 due to the following:

- *Accounting Data Specialist from Detention Center attaches a detailed document listing all checks brought to Finance. A copy of the Banner generated direct cash receipt is scanned to the Accounting Data Specialist. This is the official receipt showing that payment was received and posted in Banner by Finance. The Accounting Data Specialist can verify in Banner that the checks were recorded and deposited.*
- *The Finance Department does not receive any cash to issue receipts*
- *Administrative Assistant in Finance stamps all checks with "for deposit only" as soon as check are received*
- *The cabinet where checks are held in Finance is locked after hours and when not in use by either the Administrative Assistant or another Finance employee covering the station in the absence of the Administrative Assistant; security measures are in place to prevent unauthorized personnel from accessing the Finance Department area*
- *The Finance Department has segregation of duties in place. Finance's Accountant II only receives copies of checks and Administrative Assistant does not have access to post payments in Banner*
- *The deposit of checks is taken to the Treasurer's Office in dual custody*
- *Taking checks in a money bag from the Finance Department to the Treasurer's Office could attract attention from the public, therefore a large manila envelope is a safer alternative for the transportation of checks*

May 22, 2018

16

Cc: County Manager
Assistant County Managers (Operations & Administration)
Detention Center Interim Director
Internal Audit Advisory Committee

Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007
Phone: (575) 525-5575

- *The external auditors along with the Office of the State Auditor have reviewed our policies and procedures and have no issues or concerns*

Auditor's Comments:

It is common practice in today's society to receive a receipt upon rendering monies (in the forms of cash, checks, or credit cards). Thus, cash is not the only form of payment that results in a receipt. In this case, the auditor has viewed receipts, which the Accounting Data Specialist received from Finance upon rendering checks. However, the practice has ceased for no apparent reason.

Keeping funds secured in a lock box or a locked cabinet provides added security, particularly if someone needs to briefly vacate the immediate area for any reason.

The transporting of funds in a locking moneybag should be standard practice within Doña Ana County as this offers more protection than a manila envelope.

For informational purposes, distinct differences exist between internal and external auditing, as internal audits tend to focus upon organizational practices and key risks, and how those risks are being managed, while external audits examine and issue opinions on financial statements.

In conclusion, the internal auditor understands and appreciates that it is always management's decision as to the level of risk deemed acceptable.

Fixed Assets Findings, Low.

13. **Condition:** There are more than 50 assets (some are fixed assets) behind the main Detention Center facility, which have reportedly been there since January 2018. The items are to be disposed of, however Administrative Services has not submitted the necessary documentation for disposal. In addition, we found that some fixed assets located in the Commissary kitchen did not have identification tags.

Upon interviews with Administrative Services, we were told that they currently do not have an updated SOP on how to dispose of fixed assets. In addition, we were told that the former Asset Manager tagged fixed assets and decided the final disposition of fixed assets.

Effect: When asset disposal policies and procedures are unknown or not followed, the County's records may not be properly updated, as proper procedures may not be followed. The current collection of assets behind the main Detention Center facility not only takes away from the aesthetics of the environment, but also can be a hazard to vehicle traffic if someone is not being attentive. If fixed assets do not have identification tags, this could allow for a lack of proper accountability for those assets.

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17

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Criteria: Upon meeting with the Asset Manager in the Finance Department, we learned that the Detention Center staff should have received a copy of the Capital Outlay (Fixed Asset) policy. When sharing the listing of assets to be disposed of, the Asset Manager could only identify 10 of the fixed assets and sensitive items on the list. In addition, per policy it is the department's responsibility to coordinate with the Facilities Department, to ensure that items classified as sensitive or fixed assets, are properly tagged.

The New Mexico State Statute, NMSA 2006 § 13-6-1, Disposition of obsolete, worn-out or unusable tangible personal property, as well as DAC's Capital Outlay (Fixed Asset) guide, Sections 2.18 & 2.19 both address the proper disposition of fixed assets and sensitive items.

Cause: Administrative Services is still in its infancy, and is currently developing methodologies for the new tasks it has undertaken. This is an area wherein an understanding of responsibility has not yet been fully developed.

Recommendation: We recommend that Administrative Services acquire a copy of the Capital Outlay (Fixed Assets) guideline from Asset Management, along with the New Mexico State Statute, NMSA 2006 § 13-6-1, Disposition of obsolete, worn-out or unusable tangible personal property. Familiarization with these guidelines should inform them to 1) coordinate with Facilities to acquire tags for fixed assets, 2) tag all fixed assets and sensitive items, and 3) properly dispose of the items currently behind the Detention Center's main facility. The proper documentation should be submitted to begin the disposal process for the items behind the main Detention Center facility.

We further recommend that an Asset Listing be developed, which captures the current assets (not the assets being disposed of), descriptions, identifying data, and location of assets that do not fall into the categories of fixed assets nor sensitive items. All asset management listings should be updated when items are acquired, moved to a different location, or disposed of.

Manager's Response: *An email has been sent to the Fixed Assets Accountant to set up and obtain a copy of the Capital Outlay (Fixed Assets) guideline along with the New Mexico Statute, NMSA2006 § 13-6-1. Coordination with Facilities to acquire tags for fixed assets, tagging of all fixed assets and sensitive items will be conducted by the Administrative Services Department. The Documentation will be filled out and submitted by the Administrative Services Department.*

NOTE: The items found in the back of the facility during the audit have been identified and proper documentation for disposal has been submitted to the Asset Management Department (Currently waiting for final disposition from Asset Management).

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18

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14. **Condition:** Administrative Services perform inspections of kitchen facilities randomly, and in conjunction with Aramark staff. Administrative Services write reports in no standard format.

Effect: Inspections that are not conducted on a scheduled basis can be overlooked during times of high activity or when certain staff members are not working. In addition, reports that are not written to a particular standard can promote a lack of uniformity.

Criteria: It is one of the duties of Administrative Services to ensure that facilities are kept in good operating condition. Along with that responsibility is the promotion of uniformity, which can allow for repetitive functions to be easily learned and replicated by others.

Cause: Administrative Services is still in its infancy, and is currently developing methodologies for the new tasks it has undertaken.

Recommendation: We recommend that Administrative Services develop an SOP of its inspections, utilizing a checklist of fixed assets and/or sensitive items it inspects, a repetitive schedule for conducting these inspections, as well as develop a format for written reports. This not only sets a standard by which performance can be measured, but also allows for the development of an audit trail. A part of these inspections should entail reviewing fixed assets for identification tags.

Manager's Response: *An SOP of the Administrative Services Department is currently being developed and will include frequency of inspections. Standardization of forms utilized for inspections will be clarified within the SOP.*

Fixed Assets Finding. Moderate.

15. **Condition:** The Detention Center maintains a sensitive items inventory list, and the warehouse supervisor has access to it. A recent review of the Detention Center's TV & Electronics Inventory 2017 (Sensitive Items) revealed that 17 of 41 (41%) items listed did not have a tag number listed, for identification purposes.

Effect: Sensitive items that are not tagged is a violation of DAC's Capital Outlay (Fixed Assets) guideline.

Criteria: Section 2.19 of the Capital Outlay (Fixed Assets) guideline requires that sensitive items below the capitalization threshold of \$5,000.00 shall be tagged.

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19

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Cause: Administrative Services is still in its infancy, and is currently developing methodologies for the new tasks it has undertaken.

Recommendation: We recommend that the items on the above inventory list are tagged and the inventory listing is updated with the new information.

Manager's Response: *An SOP of the Administrative Services Department is currently being developed. Administrative Services will be in contact with the Fixed Assets Accountant to acquire the tags and ensure that all fixed assets be inventoried and tagged properly.*

Juvenile Center Findings. Low.

16. **Condition:** When interviewing with leadership in the Juvenile Center, we found the following conditions:

- The camera in the intake office does not capture a view of the safe
- There are a stack of blank checks under the On-Duty Sergeant's control, but s/he does not have a listing of those checks
- The On-Duty Sergeant has possession of the incoming Detainee's money, keys to the safe, check writing authority, and bookkeeping access

Effect:

- When the only camera in a room does not capture activity occurring in the vicinity of the safe, an inherent risk of a lack of inconclusive evidence exists in the event the contents of the safe are compromised.
- If a DAC employee has control of blank checks, s/he may be held accountable for the disposition of those checks. Thus, it would benefit him/her to know which checks s/he controls.
- When one person has complete authority over money, this can allow for misappropriation. In this case, detection measures are in place, however no preventive measures exist.

Criteria: Sound practices support having a safe in view of a camera, when one exists. In addition, someone who has control of financial instruments should know which financial instruments s/he controls. Best practices purport that the financial responsibilities above should be conducted by three separate individuals, or by two separate individuals with the addition of supervisory oversight.

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20

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Cause: The amount of money coming into the Juvenile Center is miniscule, and there is a Lieutenant who will check the On-Duty Sergeant's transactions via the documentation. In addition, to print a check or update account information someone must log their credentials into the computer system, which keeps a record of all transactions. Thus, detective measures are in existence while preventive measures are nonexistent.

Recommendation: We find that the controls that currently exist in the Juvenile Center are all detective in nature. However, we recommend the addition of the following detective and preventative controls as a means of strengthening current methods employed:

- If practical, relocate the safe to an area in view of the camera
- Require of the Trust Fund Administrator, who brings over the blank checks, to provide a listing of the check numbers. In addition, spot check that listing to verify the checks left under the On-Duty Sergeant's control, beginning with the checks currently stored
- Require the check signer to be an On-Duty Lieutenant, who has signature authority on the Trust Fund account. We understand that the current weekday Lieutenant already has signature authority; we recommend extending signature authority to the two weekend Lieutenants who work in the Adult facility, and revoking signature authority of the Juvenile Center On-Duty Sergeants. Herein, the Lieutenants will not conduct the same accounting functions as the On-Duty Sergeants.

In this instance, the auditor notes that an August 2009 Internal Audit of the Detention Center also cited the inappropriate segregation of duties as a finding, which indicates a pattern. The small amount of money at risk, coupled with the almost imminent chance of detection, allowed for this to be a Low-risk finding only.

Manager's Response: *This process will be handled by new vendor; a debit card will be issued to all detainees upon release.*

 20 November 2023
Ernest Harvin, CIA Date
Internal Auditor – Doña Ana County

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21

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