



Internal Audit  
Department

301 W Jefferson St  
Suite 660  
Phoenix, AZ 85003

[maricopa.gov/  
internalaudit](http://maricopa.gov/internalaudit)  
602.506.1585

**Ross L. Tate**  
County Auditor

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# Sheriff's Office

## Inmate Funds and Programs

July 2016

*Internal Audit Report Authorized by the  
Maricopa County Board of Supervisors*

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### Report Highlights

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Sheriff's Office (MCSO) is establishing a policy to ensure Inmate Fund expenditures align with state statutes.

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MCSO will implement contract management procedures and update the Inmate Telephone System Contract with accurate rates, fees, and commissions.

1

MCSO will improve procedures for receiving and depositing inmate funds.

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MCSO will: 1) improve planning and development for inmate programs, 2) update ALPHA screening procedures, and 3) improve the accuracy of management reporting.

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MCSO will improve Canteen procedures for inventory management, product write-offs, and processing inmate grievances.

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MCSO will update cash handling procedures for vending machine sales.

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MCSO will strengthen Inmate Fund Canteen System controls.

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**Objectives**

To determine that:

- Inmate trust funds are accounted for and managed in accordance with state statute, County and MCSO policy, and generally accepted accounting principles.
- MCSO has implemented adequate controls to ensure vendor compliance with the Inmate Telephone System Contract's payment requirements.
- MCSO has sufficient controls to ensure that inmate programs 1) support inmate development, as defined in MCSO policy, 2) are aligned with the inmate population's needs, and 3) are evaluated in accordance with policy.
- Inmates are screened for the ALPHA substance abuse treatment program in accordance with MCSO policy.
- MCSO has sufficient controls to protect Canteen inventory from loss, theft, waste, and misuse.
- MCSO has established controls to safeguard cash receipts within the Canteen and vending machine operations.
- MCSO has established effective information and data security procedures to ensure the reliability, confidentiality, and integrity of inmate account activity and other information included in the Inmate Fund/Canteen System (IF/CS).

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**Scope**

This audit covered the period of 7/1/2014 to 12/31/15 and primarily focused on: 1) MCSO Inmate Service Fund expenditures, 2) the Inmate Telephone System Contract, 3) accounting procedures for inmate accounts, 4) inmate programs, including the ALPHA program, 5) inmate Canteen operations, and 6) related information technology (IT) functions.

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**Standards**

This audit was approved by the Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.

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## **Audit Results**

### **Issue #1: Inmate Services Fund Expenditures**

**Observation:** State law authorizes MCSO to use special services fund monies for the education and welfare of inmates. MCSO allocates special services fund profits generated from inmate telephone calls and canteen sales (i.e., snacks and hygiene products sold from a commissary) to the Inmate Services Fund. We found that MCSO has not established a policy defining the types of expenditures that can be paid from this fund, but refers to a 2011 County legal opinion that indicated mandated services should be paid from the County's Detention Fund, not the Inmate Services Fund. However, our review of 40 Inmate Services Fund expenditures, found that the fund was used for mandated services, such as library, legal, and general education services.

<b>Conclusion #1A:</b> Use of the Inmate Services Fund does not align with legal guidance provided to the County.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>1A-1</b> Seek clarification of legal guidance to ensure that MCSO's policy and use of Inmate Services Fund monies is consistent with Arizona statutes.	Concur – Completed Legal analysis from MCAO shared with Internal Audit.
<b>1A-2</b> Develop a policy that clearly defines which expenditure types and programs can be funded by the Inmates Services Fund.	Concur – In progress Legal opinion already obtained & policy development underway. Target Date: 10/31/2016

### **Issue #2: Inmate Telephone System Contract**

**Observation:** MCSO has established an Inmate Telephone System Contract (ITS) with Global Tel\*Link (GTL) to provide and maintain the telephone system at jail facilities. Our review of the contract terms, monthly revenues, and documentation, determined that call records support revenue payments made to the County. However, we found that terminology used in revenue summary reports did not align with the contract, and that commission payments and rates did not adhere to contract terms.

In 2015, GTL did not pay the County \$374,585 in required commissions for state-to-state calls. GTL's discontinuation of commission payments for state-to-state calls conflicts with the contract, which requires a 65% commission on gross revenue. GTL stopped paying these commissions in February of 2014 due to its interpretation of a September 2013

Federal Communication Commission (FCC) ruling. This action was taken without renegotiating the contract. The main thrust of the ruling was that excessive call charges unduly burden inmate/family communications. GTL unilaterally interpreted the ruling as not only limiting state-to-state call rates, but also eliminating commissions paid to correctional institutions, such as MCSO. In January 2015, the County and GTL modified the contract to include the lower per-minute charges; however, the 65% commission rate for state-to-state calls was not adjusted.

In January 2016, MCSO became aware of a new FCC ruling that may further reduce revenues generated from other call types (such as intrastate and local calls), which generated over \$2.9 million in CY 2015. MCSO is in the process of evaluating the impact the ruling may have on inmate funds. However, MCSO has not sought legal advice as to whether the ruling may jeopardize commissions received from inmate calls.

<b>Conclusion #2A:</b> The Inmate Services Fund may be significantly impacted by the reduction in inmate telephone revenues.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>2A-1</b> Work with the Office of Procurement Services (OPS) and legal counsel to determine if the contract needs to be re-bid, and if unpaid commissions for state-to-state calls can be recovered.	Concur – Completed OPS and MCSO addressed this issue in a meeting in early June, 2016. The consensus was that recovery of commissions was not going to be pursued.
<b>2A-2</b> Determine the potential impact of the 2016 FCC ruling on the Inmate Services Fund and document the results.	Concur – In progress Pending finalization of the FCC Ruling. A portion of this ruling has been stayed and as a result has not been adopted to date.  Target Date: 12/31/2016
<b>Conclusion #2B:</b> MCSO needs to improve oversight of contracts.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>2B-1</b> Work with the OPS to ensure that rates, fees, and commissions are accurately reflected in the contract.	Concur – Completed Effective June 16, 2016, OPS executed Amendment #2 to the ITS Contract adjusting local and in-state rates as required under FCC "Second Report and Order and Third Further Notice of Proposed Rulemaking." Further, commissions were adjusted and language changed to accurately reflect payment by call type.

Recommendations	MCSO Action Plan
<b>2B-2</b> Establish procedures for managing contracts. Procedures should include requirements for: 1) monitoring vendor compliance, 2) alerting MCSO management of any deficiencies, and 3) training contract administrators.	Concur – In progress  Target Date: 12/31/2016
<b>Conclusion #2C:</b> Inmate telephone service revenues reconciled with supporting call records.	
Recommendation	MCSO Action Plan
None	N/A

### Issue #3: Inmate Accounts – Deposit of Funds

**Observation:** During our 18-month test period, 347,865 deposits totaling \$15.6 million were applied to inmate accounts via on-site kiosks, internet, and phone. We tested 25 deposits and found that all were performed accurately and in accordance with MCSO policy. However, MCSO was unable to provide two signed receipts for cash deposited via kiosk during booking. Furthermore, we found that MCSO’s procedures for securing cash and reconciling receipts (when kiosks are off-line for maintenance and service interruptions) were inconsistent with the Uniform Accounting Manual for Arizona Counties.

<b>Conclusion #3A:</b> During normal operations, inmate deposits via kiosks, internet, and phone are processed accurately and in accordance with policy.	
Recommendation	MCSO Action Plan
None	N/A
<b>Conclusion #3B:</b> Cash handling procedures need strengthening when kiosks are unavailable.	
Recommendations	MCSO Action Plan
<b>3B-1</b> Develop, document, and implement procedures for safeguarding inmate funds when kiosks are off-line.	Concur – In progress  This is already the practice but need to document in a written procedure.  Target Date: 12/31/2016

Recommendations	MCSO Action Plan
<p><b>3B-2</b> Track all money envelopes collected; secure money envelopes in a lock box or vault. Count and reconcile money envelopes at the end of each shift. When kiosks are back on-line, count and reconcile envelopes prior to deposit.</p>	<p>Concur – In progress            Procedures for securing and reconciling money envelopes will be implemented.            Target Date: 12/31/2016</p>
<p><b>Conclusion #3C:</b> Document retention for cash deposit receipts needs improvement.</p>	
Recommendation	MCSO Action Plan
<p><b>3C-1</b> Implement a centralized process for tracking receipt documentation. Consider implementing a records management system.</p>	<p>Concur – In progress            Receipt documentation will be centralized and options for a records management system will be investigated. Implementation of an automated system may not be possible due to cost.            Target Date: 12/31/2016</p>

**Issue #4: Inmate Accounts – Release of Inmate Funds**

**Observation:** During our 18-month test period, MCSO released funds on 130,452 inmate accounts, issuing prepaid debit cards for account balances totaling \$3.2 million. We reviewed this process and found that responsibilities for authorizing and issuing debit cards are not segregated. Furthermore, staff members have access to debit card PINs, giving them the ability to process unauthorized releases of inmate funds. Finally, MCSO could not provide release authorization and receipt documentation for 25 of 30 transactions reviewed.

<p><b>Conclusion #4A:</b> To minimize the risk of misappropriation, MCSO needs to improve procedures for releasing inmate funds.</p>	
Recommendations	MCSO Action Plan
<p><b>4A-1</b> Maintain and track inmate records, including refund receipts and release of fund authorizations.</p>	<p>Concur – In progress            A filing and tracking process will be developed to ensure tank order requests and receipt documents associated with a release-of-funds are filed, trackable, and available for secondary review.            Target Date: 12/31/2016</p>

Recommendations	MCSO Action Plan
<p><b>4A-2</b> Add a secondary review of release of funds transactions. Alternatively, segregate the responsibilities of authorizing the release of inmate funds in the Inmate Fund/Canteen System from the responsibilities of processing and maintaining custody of debit cards.</p>	<p>Concur – In progress  Will work to segregate duties among existing staff.  Target Date: 12/31/2016</p>

**Issue #5: Inmate Accounts – Reconciliations and Disbursements**

**Observation:** We reviewed the Inmate Trust Fund bank account reconciliations for September 2014, June 2015, and December 2015. We found that the reconciliations were completed in accordance with MCSO policy and the Uniform Accounting Manual for Arizona Counties (UAMAC). Furthermore, we found that all 25 sampled disbursements from the Inmate Trust Fund Account were supported by appropriate documentation and approved in accordance with MCSO policy and the UAMAC.

<p><b>Conclusion #5A:</b> The Inmate Trust Fund bank account reconciliation process appears to be adequate.</p>	
Recommendation	MCSO Action Plan
None	N/A
<p><b>Conclusion #5B:</b> Cash disbursement procedures align with the Uniform Accounting Manual for Arizona Counties.</p>	
Recommendation	MCSO Action Plan
None	N/A

**Issue #6: Inmate Programs – Planning and Development**

**Observation:** MCSO has a policy to provide opportunities for inmates to participate in evidence-based programs designed to reduce recidivism. We found that MCSO lacks documented procedures and criteria to assess program proposals.

<b>Conclusion #6:</b> Procedures need improvement to ensure that inmate programs are planned and developed in accordance with MCSO policy.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
<b>6A-1</b> Develop and document program planning and development procedures that include all appropriate criteria (e.g., evidence-based, supports transition to community, cost, space, and time requirements).	Concur – In progress Form already developed; written instructions to follow, then incorporate into Custody Support Division Operations Manual. Target Date: 9/30/2016

**Issue #7: Inmate Programs – Evaluation**

**Observation:** We found that MCSO lacks written procedures for annual program evaluations and has not completed annual evaluations or inmate surveys as required by policy. Additionally, vendors do not submit contractually-required progress reports, statistical reports (beyond attendance), or usage reports that could be used to monitor program quality. Finally, MCSO lacks required written procedures for data tracking and collection, for the reporting of performance measures.

We reviewed the accuracy of three Fiscal Year (FY) 2015 key result measures for activities related to the: 1) Inmate Skills and Training program, and 2) Inmate Substance Abuse Recovery (ALPHA) Program. We found that two of three measures were not accurately reported in the County’s Managing for Results (MFR) system. The third measure, which was related to ALPHA recidivism, was not reported due to MCSO’s inability to validate the data. Furthermore, measure definitions for the Inmate Skills and Training Program do not align with the data collected.

<b>Conclusion #7A:</b> Management reporting requirements need to be defined and procedures need to be improved to ensure inmate programs are evaluated for quality and effectiveness.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>7A-1</b> Identify and document in policy the management reporting requirements needed to evaluate programs.	Concur – In progress Will be in conjunction with the CSD Operations Manual revision. Target Date: 9/30/2016

Recommendations	MCSO Action Plan
<p><b>7A-2</b> Develop a comprehensive system for monitoring and evaluating adult programs.</p>	<p>Concur – In progress            Will be in conjunction with the Custody Support Division (CSD) Operations Manual revision.            Target Date: 9/30/2016</p>
<p><b>7A-3</b> Develop and document procedures to ensure vendor performance complies with contract requirements.</p>	<p>Concur – In progress            Will be in conjunction with the CSD Operations Manual revision, and will be consistent with contract language.            Target Date: 12/31/2016</p>
<p><b>Conclusion #7B:</b> Procedures need improvement in order to ensure validity and accuracy of performance measures reported in the County’s MFR system.</p>	
Recommendations	MCSO Action Plan
<p><b>7B-1</b> Review and update Inmate Skills and Training, and ALPHA measures to ensure: definitions align with program objectives, data is consistent with measure definitions, and the frequency of reporting is appropriate.</p>	<p>Concur – In progress            Initial meeting with MFR staff held on July 11, 2016, to assess MFR needs at all levels.            Target Date: 12/31/2016</p>
<p><b>7B-2</b> Update and document performance measure procedures to ensure data accuracy and integrity in accordance with MCSO Policy GF-6 MFR and County MFR guidelines.</p>	<p>Concur – In progress            Coordinated with 7B-1.            Target Date: 12/31/2016</p>

**Issue #8: Inmate Programs – Substance Abuse Treatment Program**

**Observation:** We found that the MCSO Custody Support Division (CSD) accurately calculated graduation rates, one of its key metrics for ALPHA (MCSO’s substance abuse treatment program). However, we determined that MCSO’s calculations for recidivism, another key metric, were inaccurate for the period ending 12/31/15. Our recalculation found that recidivism rates were as much as 20% higher than those reported by the CSD.

We also found that: 1) recent updates to the ALPHA section of the Division Operations Manual were not formally approved, 2) ALPHA screening procedures were not fully documented, 3) some eligibility criteria were applied incorrectly during the screening process, such as inmate classification risk factors, and 4) not all pre-screening decisions were documented and reviewed by management.

<b>Conclusion #8A:</b> Recent ALPHA graduation rate calculations are accurate.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
None	N/A
<b>Conclusion #8B:</b> ALPHA inmate eligibility procedures need improvement to ensure sentenced inmates are screened for the program in accordance with MCSO policy.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>8B-1</b> Approve the draft ALPHA section of the CSD Operations Manual in accordance with MCSO Policies GA-1 <i>Development of Written Orders</i> and GA-3 <i>Operations Manual Format</i> .	Concur – In progress Operations manual is in review and compilation stage. Target Date: 9/30/2016
<b>8B-2</b> Develop and document procedures, including management review, for screening inmates based on eligibility criteria.	Concur – In progress This procedure is already in place and written, awaiting approval for incorporation into the CSD Operations Manual. Detailed procedures, including a requirement for management review, will be incorporated into the CSD Operations Manual. Target Date: 9/30/2016
<b>8B-3</b> Work with MCSO Technology Bureau to ensure reports used in the ALPHA pre-screening process align with ALPHA eligibility criteria.	Concur – In progress E-mail sent on June 28, 2016 requesting changes to the Filezilla report. Target Date: 12/31/2016

<b>Conclusion #8C:</b> Procedures for calculating recidivism (a key measure for ALPHA) should be improved.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
<b>8C-1</b> Develop and document procedures to ensure the accuracy and validity of ALPHA recidivism calculations.	Concur – In progress Formulas and definition to be implemented in CSD Operations Manual review and re-write. Target Date: 12/31/2016

**Issue #9: Inmate Canteen – Order processing**

**Observation:** MCSO’s Canteen processes and fulfills inmate purchases of snacks, stamps, telephone calling cards, and hygiene products. From 7/1/2014 to 12/31/2015 the Canteen processed over 233,000 orders totaling \$10.4 million, and over 17,000 returns totaling \$175,449. We found that MCSO accurately entered 22 of 25 orders, and that inmates signed a receiving receipt for all 25 orders tested. We also found that MCSO verified that fulfilled orders matched invoices prior to transport, and that orders were secured in locking carts until delivery.

We also reviewed MCSO’s refund and return process for inmate orders. We found that detailed procedures have not been established for the processing, documenting, investigating, and approving of refunds and returns. We identified 3 of 13 returns that resulted in a refund because documentation was not maintained.

<b>Conclusion #9A:</b> The Canteen’s procedures for processing and fulfilling inmate orders appear to be adequate.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
None	N/A

<b>Conclusion #9B:</b> The Canteen’s procedures for refunding and returning orders need improvement.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>9B-1</b> Develop and document refund and return procedures for situations like the following: 1) inmates are not present to receive orders, 2) orders/bags are missing and/or stolen, 3) items are missing from orders, and 4) spoiled items are returned.	Concur – In progress Currently changing process to train detention officers and post laminated procedures in Canteen carts. Written procedure to follow. Target Date: 12/31/2016
<b>9B-2</b> Develop and document procedures to ensure Canteen refunds/returns are authorized and documented (including reasons).	Concur – In progress The procedures for returns and refunds are currently part of the Inmate Canteen Operations Manual Section 300 Procedures. A section will be added to address level of authorization needed and reasons to be noted. Target Date: 12/31/2016
<b>9B-3</b> Provide employee training for processing refunds and returns in accordance with revised procedures.	Concur – In progress A new procedure recently put into effect required staff to enter shortage and spoilage slips, which required training for 90% of Canteen staff. The Canteen conducts continuous training, as it is necessary to maintain flexibility in the jail environment and dealing with products. Therefore, Canteen staff must receive training as procedures change and are updated. Target Date: 3/31/2017

**Issue #10: Inmate Canteen – Inventory Management**

**Observation:** We compared MCSO’s policies and procedures for managing Canteen product inventories to the Uniform Accounting Manual for Arizona Counties (UAMAC), County policy, and inventory standards. We found that MCSO has implemented 15 of 20 key inventory management controls. However, 13 of the 15 controls implemented have not been documented within MCSO procedures.

The five controls not implemented were: 1) segregating duties over the inventory ordering and receiving processes, 2) updating inventory records upon receipt of items,

3) safeguarding products stored in inventory, 4) requiring signatures and dates on physical inventory counts, and 5) conducting frequent, surprise physical inventory counts.

The Canteen manages inventory for over 170 products. We performed a random inventory count and identified 2 of 18 products that did not match the inventory amounts recorded in the inventory management system.

We also found that MCSO does not retain inventory records for three years as required by state record retention requirements. We found that the MCSO IT Bureau purges Canteen electronic inventory records at 31 or 181 days, depending on the record type.

<b>Conclusion #10A: Canteen inventory management policies should be improved.</b>	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>10A-1</b> Update the Canteen Operations Manual to ensure inventory management procedures align with UAMAC and County requirements.	Concur – In progress Inventory management procedures will be updated to align with UAMAC. Target Date: 12/31/2017
<b>10A-2</b> Segregate inventory management responsibilities for ordering, receiving, recording, approving, authorizing, and maintaining product inventory.	Concur – In progress Developing a segregation of duties plan that is feasible given current staffing levels. Target Date: 3/31/2017
<b>10A-3</b> Establish procedures to ensure inventory records are updated upon delivery.	Concur – In progress Required timeframes for updating inventory records will be established in the Canteen Operations Manual. Target Date: 12/31/2016
<b>10A-4</b> Restrict inventory access to those employees whose job functions require it.	Concur – Accept management risk Due to size of warehouse, the inventory area cannot be restricted to only inventory personnel.

**Conclusion #10B:** Inventory records should be retained in accordance with state records retention laws.

Recommendation	MCSO Action Plan
<p><b>10B-1</b> Reconfigure the inventory system to retain inventory data for three years as required by the state retention schedule.</p>	<p>Concur – In progress            Researching options.            Target Date: 6/30/2017.</p>

**Conclusion #10C:** Physical inventory procedures should be improved to align with inventory management standards.

Recommendation	MCSO Action Plan
<p><b>10C-1</b> Require that employees sign and date physical inventory counts. Also, ensure physical inventory counts are documented and conducted on a routine basis; include surprise counts.</p>	<p>Concur – In progress            The Inventory Supervisor or his/her representative prints a computer dated report on the day of the inventory. The form lists each item of the Canteen Inventory by Item ID #. Next to each item is the signed initials and employee #, who inventoried it. The signatures for each item began this EOY Inventory 6/30/16. Corrected. Monthly inventory counts and unannounced counts will be implemented upon the hiring of additional staff.            Target Date: 12/31/2016</p>
<p><b>10C-2</b> Provide training to Canteen staff on performing inventory counts, investigating discrepancies, and updating system records to accurately reflect inventory levels.</p>	<p>Concur – In progress            The Inventory Supervisor has received training from the Canteen Administrator and Production Manager. The Canteen Operation Manual will be updated with pre-inventory training requirements and post inventory discrepancy investigation procedures.            Target Date: 12/31/2016</p>
<p><b>10C-3</b> Consider implementing automated inventory solutions to improve the accuracy and efficiency of inventory counts.</p>	<p>Concur – Accept management risk            Funding is not currently available for a new system. Canteen management will research options to improve accuracy and efficiency of physical inventories.</p>

**Issue #11: Inmate Canteen – Write-Offs**

**Observation:** The MCSO Canteen reduces (“writes-off”) inventory to account for products that were damaged, spoiled, lost, or stolen, as well as for products given to inmates who work at the Canteen. Our review of the Canteen’s write-off process found that MCSO has not established documented procedures for processing write-offs and does not track inventory reductions from write-offs. MCSO purges inventory system data after 31 days; therefore, the annual amount of write-offs could not be determined. We reviewed hard copy documentation for write-offs and found that 8 of 43 tested were inaccurate and that 31 of 43 lacked supervisor approval. We also found the responsibilities for processing write-offs were not adequately segregated.

Conclusion #11A: Management of inventory write-offs needs improvement.	
Recommendations	MCSO Action Plan
<p><b>11A-1</b> Establish a policy for approving, recording, and documenting product write-offs. Include procedures to ensure product write-offs are verified for accuracy and approved by a supervisor, prior to recording amounts within the inventory management system (Inmate Fund/Canteen System).</p>	<p>Concur – In progress</p> <p>Spoilage forms are kept to separate inmate usage from product spoilage. Two different colors of forms will be implemented and each day prepared to ensure that there is documentation for each business day. Currently, the Inventory Supervisor is responsible for entering forms. Upon hiring the Office Assistant, this duty will be reassigned. The Production Line Leader will record total usage and spoilage forms at the end of each production day and initial with the employee #. The Inventory Supervisor will verify accuracy and approve by signature and give to the Office Assistant, who will input, proof, initial, and file. Policy to be written documenting these duties.</p> <p>Target Date: 3/31/2017</p>
<p><b>11A-2</b> Establish a procedure to ensure the write-off approval is completed by a supervisor or manager who is not involved in the processing or recording of the write-off transaction.</p>	<p>Concur – In progress</p> <p>The Inventory Supervisor will verify accuracy and will sign the forms, before giving to the Office Assistant to input into IF/CS. This procedure will be incorporated into the Canteen Operations Manual.</p> <p>Target Date: 3/31/2017</p>

## Issue #12: Inmate Canteen – Grievance Requests

**Observation:** The inmate grievance process is a system provided by MCSO whereby inmates register complaints about procedures and conditions in the jails. We found that Canteen grievances are not always investigated and resolved in accordance with MCSO policy. Specifically, 9 of 25 grievances reviewed were not resolved within required time frames, and 6 of 25 were not resolved by authorized personnel.

<b>Conclusion #12A:</b> Procedures for investigating grievances need improvement.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>12A-1</b> Establish Canteen policy requirements to record and monitor the status (initiation, investigation, and resolution) of all grievances.	Concur – In progress Requirements can be found in current Canteen policy in Operations Manual Section 300, #308 Inmate Tank Orders and Grievances. Timelines will be added to this section.  Target Date 12/31/16
<b>12A-2</b> Consider establishing dollar thresholds and circumstances that would permit refunds with minimal investigation.	Concur – In progress Grievance thresholds and related procedures will be established and documented in the Canteen Operations Manual.  Target Date: 3/31/2017

## Issue #13: Inmate Canteen – Vending Machine Cash Handling

**Observation:** On average, MCSO generates over \$633,000 a year in vending machine sales at tent city. We found that the bank reconciliation process aligns with the Uniform Accounting Manual for Arizona Counties (UAMAC). However, vending machine cash receipts are not always counted, recorded, or deposited within one business day as required for cash receipts exceeding \$300. Of the 20 cash receipts tested, 15 had not been counted by day's end. These receipts averaged \$1,400. In three cases, the delay exceeded three days.

Additionally, MCSO's end-of-day reconciliation did not compare actual receipts with sales totals, which are automatically recorded by the vending machine tracking systems. Instead, the reconciliation and restocking process is completed using hand counts and paper forms. Our reconciliation of the daily inventory restocking forms, daily close documentation, and vending machine sales figures, found that 18 of the 20 reconciliations tested had variances that had not been identified and investigated.

<b>Conclusion #13A:</b> The bank reconciliation process aligns with UAMAC and County policy.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
None	N/A
<b>Conclusion #13B:</b> Procedures for vending machine sales need improvement.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>13B-1</b> Update Canteen cash handling procedures to align with UAMAC. Incorporate requirements to ensure vending machine sales receipts are counted, recorded, and prepared for deposit at the end of each day.	Concur – In progress Deposits involve large quantities of coin and dollar bills. Procedure will work toward ensuring week end deposits prepared by the end of Tuesday; all other deposits to be completed by end of business day. With hiring of an Office Assistant, it is expected this can be improved to end of Monday for weekend deposit preparation. Target Date: 8/31/2016
<b>13B-2</b> Incorporate sales figures tracked by vending machines into daily reconciliation procedures. Establish reconciliation variance thresholds that, if exceeded, require prompt investigation.	Concur – In progress Spreadsheets are being created to reflect machine reads with vending sales and cash receipts. Target Date: 8/31/2016

**Issue #14: Inmate Canteen – Physical Security of Cash**

**Observation:** The Uniform Accounting Manual for Arizona Counties (UAMAC) and MCSO policy require the storage of cash receipts in a secure location until deposited. We observed MCSO’s process for retrieving, counting, transporting, and retaining vending machine cash receipts, and identified the following control weaknesses: 1) cash receipts were not secured when retrieved from vending machines and transported to the Canteen, 2) a change fund was not counted daily, kept in a safe, and retained offsite, 3) key access to vending machines were not restricted to authorized personnel, and 4) the key for the Canteen safe was not adequately secured.

<b>Conclusion #14A:</b> Procedures for securing vending machine cash are not adequate.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>14A-1</b> Establish procedures to ensure that two employees retrieve cash from vending machines and immediately secure the cash in a safe until deposited.	Concur – In progress Currently sending two staff members out to do vending Monday through Thursday. On weekends, only one Canteen vending person is assigned and a detention staff at Contents will be requisitioned to assist with collecting money from machines and securing in safe to be brought back to Canteen on Monday. Target Date: 8/31/2016
<b>14A-2</b> Reconcile the change fund used to replenish the vending machine change dispensers on a daily basis.	Concur – In progress Currently bring coin bags back each day to reconcile at office. Bag is taken out next day and returned again. Both bags taken out on Thursdays for weekend processing and returned on Mondays. Target Date: 8/31/2016
<b>14A-3</b> Limit vending machine key access and assignment to times and dates employees need keys to perform the daily reconciliation and restocking. Secure the keys when not in use.	Concur – In progress There is already an implemented restriction for vending keys. Daily the key must be logged out to assigned vending personnel by Inventory Supervisor in journal and returned when vending is completed that day. Weekend staff will receive keys prior to their last day before their weekend vending assignment and return key on next business day. Target Date: 8/31/2016
<b>14A-4</b> Secure the Canteen safe key when not in use.	Concur – In progress Target Date: 8/31/2016

### **Issue #15: Inmate Fund/Canteen System – System Access**

**Observation:** We found that MCSO did not have documented policies or procedures addressing minimum password strength requirements and user account administration for the Inmate Fund and Canteen System (IF/CS). Our review of IF/CS password settings determined that user accounts were not configured with the length, complexity, expiration timeframes, lockout, and history settings, as recommended by the National Institute of

Standards and Technology (NIST). Furthermore, system administrative accounts did not meet complexity standards.

We also found that administrative access was appropriately restricted, and user access reviews were completed at the application level. However: 1) application reviews did not include all users, 2) access reviews were not completed at the server or database level, 3) server and database access approval documentation was inconsistently maintained, and 4) terminated employee access was not consistently removed.

<b>Conclusion #15A:</b> IF/CS password configuration standards need improvement.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
<b>15A-1</b> Establish and document password configuration policy for IF/CS that conforms to NIST, including password (length, complexity, history, expiration), and account lockout settings for user and administrator accounts.	Concur – In progress MCSO is in the process of replacing IF/CS with a more current system that allows advanced password configuration functionality. Target Date: 12/31/2018
<b>Conclusion #15B:</b> MCSO should strengthen controls over IF/CS user administration.	
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>15B-1</b> Establish procedures for granting access to the application, operating system, and database, including appropriate approvals based on job responsibilities.	Concur – In progress Procedures already in practice for application review and written procedures underway. Target Date: 10/31/2016
<b>15B-2</b> Restrict access to administrative accounts for the application, operating system, server, and database based on principles of least privilege.	Concur – In progress Process to be developed and documented for application review. Target Date: 10/31/2016
<b>15B-3</b> Establish procedures and work with MCSO Human Resources to ensure prompt removal of application, operating system/server, and database level access upon an employee's termination or job change.	Concur – In progress Process already developed and reconciliation has been implemented for application review. Written procedures underway. Target Date: 10/31/2016

Recommendations	MCSO Action Plan
<p><b>15B-4</b> Institute periodic access reviews for the application, operating system/server, and database.</p>	<p>Concur – In progress</p> <p>Process already developed and reconciliation has been implemented for application review. Written procedures underway.</p> <p>Target Date: 10/31/2016</p>

**Issue #16: Inmate Fund/Canteen System – System Development and Change Management**

**Observation:** We found that MCSO has not segregated responsibilities for developing and implementing system changes, or maintained a complete system-generated list of changes, as recommended by the National Institute of Standards and Technology, to prevent unauthorized changes.

<p><b>Conclusion #16A:</b> Procedures for tracking, monitoring, and approving IF/CS system changes should be improved.</p>	
Recommendations	MCSO Action Plan
<p><b>16A-1</b> Segregate the roles and responsibilities of those who develop and implement system changes. Consider implementing a source code version control tool that requires developers to check source code in and out.</p>	<p>Concur – In progress</p> <p>IF/CS will be replaced with MCSO’s new SHIELD system, which will include an updated release management process. The new system will have a source code management tool for tracking code changes and release versions.</p> <p>Target Date: 12/31/2018</p>
<p><b>16A-2</b> Implement a secondary review of changes placed into production.</p>	<p>Concur – In progress</p> <p>The new IF/CS system will provide for secondary code reviews and thorough testing of all changes and/or modifications prior to deployment into the production environment.</p> <p>Target Date: 12/31/2018</p>

Recommendations	MCSO Action Plan
<p><b>16A-3</b> Develop a process to track all system changes, including the change type, status, date, person implementing, and person approving.</p>	<p>Concur – In progress</p> <p>The new IF/CS system will include a source control process that tracks all changes and related statistics including change type, status, date, person(s) implementing and approving releases.</p> <p>Target Date: 12/31/2018</p>
<p><b>16A-4</b> Perform a regular review of IF/CS changes to determine that approval was obtained prior to implementation, and to verify that the changes were implemented as designed.</p>	<p>Concur – In progress</p> <p>Once the new IF/CS system is implemented, regular code reviews will be conducted.</p> <p>Target Date: 12/31/2018</p>

#### Issue #17: Inmate Fund/Canteen System – Operations Environment

**Observation:** MCSO procedures for system backups, automated jobs, and data transmissions between interfaces, align with the National Institute of Standards and Technology, and the Control Objectives for Information and Related Technology standards. Additionally, IF/CS is configured to send a notification to system administrators in the event of system failures.

<b>Conclusion #17A:</b> IF/CS data are adequately backed up on a periodic basis.	
Recommendation	MCSO Action Plan
None	N/A
<b>Conclusion #17B:</b> Automated IF/CS job processes are configured to run successfully in accordance with a predetermined schedule.	
Recommendation	MCSO Action Plan
None	N/A
<b>Conclusion #17C:</b> Data transferred between IF/CS and other systems appear to be transmitted completely and accurately.	
Recommendation	MCSO Action Plan
None	N/A

**Issue #18: Inmate Fund/Canteen System – MCSO Data Center**

**Observation:** The servers and databases supporting the IF/CS application are located at the physically-secure data center within MCSO headquarters. However, we found that data center access policies and procedures were outdated and did not require access reviews of both Data Center doors. Additionally, physical access reviews were not completed from 7/1/2014 to 12/1/2015. We found two terminated users still had physical access to the MCSO Data Center.

<b>Conclusion #18A:</b> Procedures for monitoring access to the MCSO Data Center need improvement.	
<b>Recommendation</b>	<b>MCSO Action Plan</b>
<b>18A-1</b> Update data center access policies to include procedures for establishing, monitoring, and terminating data center access to all doors.	Concur – Completed
<b>Recommendations</b>	<b>MCSO Action Plan</b>
<b>18A-2</b> Perform regular data center access reviews at an interval commensurate with operational risk. Formally document results of the reviews.	Concur – Completed
<b>18A-3</b> Work with Protective Services to ensure MCSO retains ownership of and authority over physical access to the Data Center.	Concur – Completed

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**Auditors**

Toni Sage, Audit Manager, MBA, CIA, CRMA, CGAP  
Scott Jarrett, Senior Auditor, CIA, CGAP, CLEA  
Stacy Aberilla, Senior Auditor, MPA, CGAP  
Lisa Scott, Senior Data Analyst, CISA, CFE, CLEA  
Dan Ng, Senior Auditor, MPA  
KPMG, LLC

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This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

We have reviewed this information with Sheriff's Office management. The Action Plan was approved by Jerry Sheridan, Chief Deputy, on July 25, 2016.

If you have any questions about this report, please contact Toni Sage, Audit Manager, at 602-372-1004.