Introduction and Objectives

The Burnet County Auditor's Office conducted a follow-up audit of the Sheriff's Office Commissary and Inmate Trust functions pursuant to Texas Local Government Code §351.0415 and Texas Government Code §511.016 for Fiscal Year 2025.

The objective of the follow-up audit was to evaluate corrective actions taken in response to the four findings identified
in the FY2024 internal control audit:
1. Lack of documented policies and procedures
2. Failure to periodically remit unclaimed property
3. Failure to periodically reconcile commissary funds
4. Lack of inventory controls over nicotine pouch inventory

Finding 1 – Policies and Procedures

Prior Finding
The FY2024 audit identified that written policies and procedures were not maintained for key commissary and inmate trust processes, resulting in inconsistent practices and reduced accountability.

Follow-Up Testing Performed
The Auditor's Office requested written policies and procedures related to unclaimed property remittance, inventory tracking, commissary reconciliation processes, and nicotine pouch inventory controls.

Results of Testing
Written procedures were provided for unclaimed property remittance and nicotine pouch inventory tracking processes. Procedures included inventory tracking requirements, monthly reconciliation expectations, and documentation standards.

Conclusion
Corrective action was substantially implemented. Written procedures were developed for the areas tested.

Finding 2 – Commissary and Inmate Trust Reconciliation

Prior Finding

The FY2024 audit identified that commissary and inmate trust reconciliations were not consistently performed or documented.

Follow-Up Testing Performed

During the follow-up review, the Jail transitioned commissary services from ARAMARK to Keefe Commissary Network. The Auditor's Office requested reports necessary to verify inmate account activity, including beginning balances, ending balances, deposits, purchases, and disbursements.

Results of Testing

Reports from August and September 2025 were reviewed. Ten inmate accounts were selected for testing, and transactions were traced through available Keefe reports. Ending balances and transaction activity were verified. For inmates released during the testing period, remaining balances were traced to disbursement records. The Auditor's Office noted that available Keefe reports did not provide sufficient information to independently verify inmate beginning balances transferred from the prior commissary provider.

Conclusion

Testing confirmed that transaction activity and ending balances could generally be verified using available reports. There were limitations in the available transition reporting which prevented independent verification of beginning balances transferred from the prior system.

Managements Response: We concur with the Auditor's findings regarding the limitations in transition reporting during our shift from ARAMARK to Keefe Commissary Network. Because the data transfer occurred between two separate proprietary vendor systems, generating a seamless, independent verification report for beginning balances proved challenging at the time of transition.

To ensure complete accountability and transparency moving forward, management will implement the following action:

- **Standardized Transition Protocols:** We are establishing a formal system-transition checklist. If a vendor change occurs in the future, it will mandate a certified "Beginning Balance Report" signed off by both outgoing and incoming vendors prior to system launch to allow for independent verification and allow auditor access to all reporting documents at that time.

Finding 3 – Unclaimed Property Remittance

Prior Finding
The FY2024 audit identified that uncashed inmate trust checks were not periodically remitted in accordance with Texas unclaimed property requirements.

Follow-Up Testing Performed
During reconciliation testing, the Auditor's Office identified outstanding checks remaining on the outstanding check register dating back to Fiscal Year 2020. Texas Property Code Chapter 74 requires holders of unclaimed property, including outstanding checks, to report and remit dormant property after the applicable dormancy period. Checks issued and remaining uncashed for more than three years are subject to reporting and remittance requirements.

Results of Testing
The Jail generated a report identifying outstanding inmate checks from August 4, 2020 through August 25, 2023. Check No. 14150 in the amount of $12,299.07 was issued from Cadence Bank account ending in 5090 to Burnet County for remittance of unclaimed property related to expired outstanding checks. Management indicated that an additional report and remittance will be processed for outstanding checks associated with the prior Hill Country National Bank account in order to close that account. The Auditor's Office received documentation from the Treasurer's Office showing remittance of unclaimed property for the period November 20, 2019 through March 27, 2025 totaling $8,598.89.

Conclusion
Corrective action was implemented. Unclaimed property through March 2025 was remitted to the Treasurer's Office. Additional remittances will be necessary for future dormant items in order to maintain ongoing compliance with Texas Property Code requirements.

Finding 4 – Nicotine Pouch Inventory Controls

Prior Finding
The FY2024 audit identified that nicotine pouch inventory was not formally tracked or inventoried, and transfers between the inmate trust account and commissary account lacked sufficient supporting documentation.

Follow-Up Testing Performed
The Auditor's Office reviewed inventory tracking spreadsheets, vendor invoices from Smart Vending Services, LLC, and performed a physical inventory count of nicotine pouch inventory.

Results of Testing

- Management implemented a spreadsheet used to track beginning and ending inventory balances, daily pouch sales inventory adjustments, including returns and damaged product, and monthly reconciliation of inventory activity to sales reports. Testing performed by the Auditor's Office showed that inventory quantities recorded on the spreadsheet agreed to the physical inventory count and supporting vendor invoices reviewed during testing. Written procedures were also developed for nicotine pouch inventory tracking.

- Although inventory tracking controls improved, the Auditor's Office noted a lack of segregation of duties within the process. The same employee is responsible for ordering inventory, receiving inventory, updating inventory records, fulfilling inmate orders, and recording inventory adjustments. Concentrating these responsibilities with a single employee increases the risk of undetected errors, loss, or misappropriation.

- The Auditor's Office also noted instances where nicotine pouches were provided to inmates outside the standard sales process. The Auditor's Office could not independently verify whether such distributions, complied with applicable jail standards or internal policy requirements.

Conclusion
Corrective action was substantially implemented. Inventory tracking and reconciliation controls improved and testing supported the accuracy of recorded inventory balances. However, two new issues were identified:

1) The lack of segregation of duties and
2) If the pouches used as incentives for cooperation from inmates were applicable under the approved jail standards or internal policies.

Managements Response: We appreciate the Auditor's recognition that nicotine pouch inventory tracking, record-keeping, and physical counts have substantially improved and are now highly accurate. We acknowledge the two new risks identified regarding the segregation of duties and the documentation of inmate incentives.

To formally structure our controls using existing personnel, management is implementing the following measures:

- **Segregation of Duties:** To ensure complete separation between financial procurement and physical inventory, the Sheriff's Office Business Manager/Office Manager will now independently place all vendor product orders and handle final account reconciliations. The Jail Administrator will be responsible strictly for the physical asset side—including receiving the shipped inventory, logging counts on the tracking spreadsheet, and executing order fulfillment.
- **Inmate Incentive Policy & Documentation:** Because the distribution of commissary items for inmate cooperation falls outside of Texas Commission on Jail Standards (TCJS) jurisdiction, the Sheriff's Office will establish a formal Internal Policy governing this practice. To ensure full accountability over these assets, any incentive packs given out for inmate cooperation will be explicitly noted and tracked directly on the Monthly Sales Sheet. These noted distributions must be formally authorized under our internal policy and matched against monthly inventory adjustments.

BURNET COUNTY SHERIFF'S OFFICE

INTERNAL POLICY: INMATE COOPERATION INCENTIVES

Effective Date:	June 22, 2026
Authorized By:	Sheriff / Jail Administration
Scope:	Jail Operations and Nicotine Inventory Tracking

1. Purpose

This policy establishes clear guidelines for the authorized operational use and tracking of commissary nicotine pouch inventory distributed as non-monetary incentives to foster inmate cooperation, assist with jail facility maintenance, and support overall safe operations.

2. Authority and Jurisdiction

The allocation and management of commissary items used strictly for security management and facility cooperation fall entirely under the internal operational jurisdiction of the Burnet County Sheriff's Office. These administrative distributions are separate from standard public inmate commissary purchases and are not regulated under Texas Commission on Jail Standards (TCJS) rules.

3. Authorized Items and Allocation

Only facility nicotine pouch inventory that has been appropriately processed through the dual procurement loop may be utilized under this policy. Items may only be allocated for clear, documentable operational or security justifications.

4. Operational Control and Documentation

To ensure strict accountability over restricted inventory and eliminate administrative blind spots, all incentive distributions must adhere to the following workflow:

- **Authorization:** Every allocation of incentive packs must be directly authorized by the Jail Administrator or a designated jail supervisor.
- **Log Notation:** Incentive packs distributed for cooperation shall not be distributed undocumented. The Jail Administrator will record the exact number of packs distributed directly onto the **Monthly Sales Sheet** at the time of allocation.

- **Reconciliation:** During the end-of-month processing, all noted incentive distributions listed on the Monthly Sales Sheet must be matched and reconciled against physical asset adjustments before logs are finalized and forwarded to the Business Manager/Office Manager for account verification.

5. Compliance and Prohibitions

Nicotine pouch inventory designated for operational cooperation shall never be distributed arbitrarily, utilized for personal employee use, or handed out without an immediate written tally on the Monthly Sales Sheet. Any variation between physical inventory counts and logs must have an accompanying operational justification.