

September 2025

**Audit of the Erie County Office of the Sheriff
Jail Management Division
Inmate Commissary Fund
January 1, 2021 through December 31, 2023**



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September 2, 2025

Erie County Legislature
92 Franklin Street, 4th Floor
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Dear Honorable Members:

The Erie County Comptroller's Office has completed a comprehensive performance audit of the Inmate Commissary Fund, administered by the Jail Management Division (JMD) within the Erie County Office of the Sheriff. The period covered by this review spanned from January 1, 2021 through December 31, 2023.

The objectives of this audit were to determine whether an adequate level of internal controls existed relating to the management of financial transactions by the JMD during the audit period; whether documentation was consistent and accurate; whether recordkeeping practices were adequate, compliant with applicable legal authority and policy, and substantiated financial activity; whether contracts with external vendors were adhered to; and whether expenses made from the commissary account were appropriate.

The Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions described herein based on audit objectives.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the U.S. Government Accountability Office. These standards require the audit to be planned and performed in a way that obtains sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the stated objectives. The Division of Audit believes that the evidence obtained meets that requirement.

The auditors assigned to this engagement were independent of the Erie County Sheriff's Office, both organizationally and personally, as required by GAGAS. In addition, the audit team exercised appropriate professional judgment throughout the engagement and followed internal quality assurance protocols.

AUDITOR'S OPINION

Based on the procedures performed and the evidence obtained, we conclude that the Erie County Sheriff's Office (ECSO) did not consistently maintain effective internal controls over the inmate commissary fund during the audit period.

The audit identified deficiencies in key control areas, particularly in segregation of duties, reconciliation practices, and the use of the County's accounting software (SAP) for financial reporting. These weaknesses negatively impacted the transparency, accuracy, and reliability of financial transactions and increased the

risk of errors or misappropriation. For example, responsibilities related to initiating payments, recording deposits, and reconciling accounts were often held by a single individual, which conflicts with the County's internal control policy.

Furthermore, transaction-level data was not posted in SAP, and ECSO instead relied on editable spreadsheets based on bank statements, with no formal review or approval process. These practices undermined the integrity of financial management.

It is important to note that a new administrative team assumed responsibility for the commissary fund in mid-2024 and has indicated that improvements have been implemented, including the segregation of duties for check processing and bank reconciliations and enhancements in financial oversight.

However, the audit scope did not extend beyond December 31, 2023, and therefore, the Auditor was unable to observe or verify the implementation or effectiveness of these reported changes. Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected.

Accordingly, this audit cannot guarantee the absence of all deficiencies or irregularities. Nevertheless, in our professional judgment, the internal control weaknesses identified during the audit period represent significant deficiencies that require immediate corrective action.

We encourage the current administration to fully implement the recommendations contained in this report and ensure that any improvements are sustained, documented, and subject to verification in future audits.

BACKGROUND

On July 16, 2024, the Erie County Comptroller's Office, Division of Audit, issued an engagement letter to the Erie County Sheriff's Office (ECSO), notifying them of an audit of the Jail Management Division's commissary and inmate trust funds. After a preliminary meeting, the audit scope was defined to include an evaluation of internal controls and the accuracy, documentation, and recordkeeping of financial transactions related to the inmate commissary fund.

Each New York county is required to operate a jail. Commissary funds, though optional, may be established by Sheriffs or jail superintendents to allow inmates to purchase approved items such as hygiene products, snacks, and writing supplies. Once established, these funds must comply with state regulations governing their use and oversight.

Managing the commissary fund is part of broader jail administration responsibilities, which include daily reporting, inmate supervision, and ensuring food and healthcare services. In Erie County, this applies to both the Holding Center (EHC) and the Correctional Facility (ECCF).

Financially, facility superintendents must maintain detailed records of all receipts and disbursements. Although commissary funds are county-held, they fall under the control of the Sheriff's Office rather than the County Legislature yet are still subject to standard financial controls.

State regulations impose two key rules: commissary prices must support self-sufficiency with modest profit, and profits must be used solely for inmate welfare and rehabilitation through a separate account. These rules limit the Sheriff's discretionary use of commissary revenues and ensure accountability.

The ECHC and ECCF originally had separate accounts, which were consolidated in 2001. In 2012, ECSO contracted Keefe Commissary Network (KCN) to operate commissary services. That agreement, most recently updated in 2022, also includes inmate access to account features via kiosks or tablets.

Since 2007, five audits have reviewed the commissary fund. Audits in 2007 and 2012 were part of broader operational reviews, while 2019 and 2020 audits focused on commissary operations. Several audits under former Sheriff Timothy Howard revealed serious misuse of funds, including over \$1 million in improper charges, uncollected vendor rent, and subsidization of general operations with commissary funds.

The 2007 audit noted ECSO used commissary funds to cover general expenses during the 2005 budget crisis. However, the 2012 audit found this practice continued well beyond that period, including purchases unrelated to inmate welfare. Audits from 2015 to 2020 found persistent issues with accounting practices, excess fund balances, low commissions, and weak internal controls.

While state regulations mandate periodic audits of commissary funds, they do not specify timing. Erie County has conducted audits roughly every two years. This audit continues that practice and aims to determine whether commissary and trust fund transactions are properly recorded, supported, and compliant with laws, regulations, and County policy.

Objective

The primary objective of the audit was to evaluate internal controls related to the management of the inmate commissary fund, including a review of the policies and procedures governing its administration. The audit also included testing and evaluation of revenue and expenditure transactions associated with the fund, with a focus on assessing the accuracy, appropriateness, and timeliness of financial transactions, and determining compliance with applicable county policies as well as federal, state, and local laws.

Methodology

To satisfy the objectives within the audit scope, the Auditor obtained the Internal and System Control Questionnaires (ISCQ) from the Erie County Sheriff's Office (ECSO) to establish a baseline for testing. To determine the population and sample size for each test related to the inmate commissary fund, the Auditor conducted various procedures, including reconciling the M&T Inmate Commissary Bank Account and the commissary reimbursement revenue recorded in SAP.

The Auditor also verified the accuracy and completeness of checks issued from the inmate commissary bank account, as well as compliance with contract terms and procurement policies for invoices paid from the commissary account that were associated with contracts, bids, or proposals.

Additionally, the Auditor reconciled receipts and deposits in the inmate commissary bank account, commissions collected on inmate commissary sales and inmate direct vending sales, and commissions paid to the Sheriff's Office for Access Securepak sales. Throughout these procedures, internal controls were reviewed to assess their design and effectiveness.

1. Reconciliation of the M&T Inmate Commissary Bank Account: To complete this testing, the Auditor determined that full population testing was necessary to mitigate the risk of undetected errors and to ensure the completeness and accuracy of ECSO's monthly reconciliation procedures. Due to elevated audit risks, including prior concerns regarding segregation of duties and recurring issues noted in external auditors' management letters, the Auditor reconciled all 12 months of each year over a 36-month period without

sampling. This comprehensive approach focused on reconciling the M&T Inmate Commissary Bank Account by comparing Keefe reporting with SAP data, addressing identified weaknesses and providing greater assurance of the reconciliation process's effectiveness.

2. Reconciliation of Commissary Reimbursements revenue in SAP: Full population testing was also applied to the reconciliation of Commissary Reimbursements revenue in SAP. All relevant documentation across specified types was reviewed for the entire 36-month period without sampling, ensuring a complete and accurate reconciliation of Commissary Reimbursements revenue within SAP.

3. Verify the Accuracy and Completeness of Checks Issued from the Inmate Commissary Bank Account: The Auditor reviewed all 135 checks and 189 corresponding invoices issued from the Inmate Commissary Bank Account between January 1, 2021, and December 31, 2022, to verify accuracy and completeness. For 2023, testing focused on new vendors not found in prior records and on exceptions such as missing documentation or transactions flagged during contract testing. This targeted sample included 39 checks issued in 2023 and one check from 2024, along with 44 related invoices. The objective of this test was to assess the validity, documentation, and consistency of disbursements from the Inmate Commissary Bank Account.

4. Verify the accuracy of compliance with contract terms and procurement policies for invoices paid from the Inmate Commissary Bank Account that were associated with a contract, bid, or proposal: Full population testing was also conducted to verify compliance with contract terms and procurement policies for invoices paid from the Inmate Commissary Bank Account associated with contracts, bids, or proposals. All 41 invoice payments were reviewed to confirm their accuracy and adherence to applicable contracts, bids, proposals, and Erie County's procurement policies, ensuring all payments met procurement standards.

5. Reconciliation of receipts/deposits in M&T Inmate Commissary Bank Account: Similarly, full population testing was applied to the reconciliation of receipts and deposits in the M&T Inmate Commissary Bank Account. The Auditor reviewed all relevant documentation for the entire 36-month audit period without sampling, supporting accurate reconciliation of the bank account.

6. Reconciliation of commissions collected on inmate commissary sales: This was a full population review of all relevant documentation for the 36-month audit period; no sampling methodology was applied for the reconciliation of commissions collected on inmate commissary sales.

7. Reconciliation of commissions collected from inmate direct vending sales: Documentation for the full 36-month period was reviewed, with no sampling applied in reconciling commissions collected from inmate direct vending sales.

8. Reconciliation of commissions paid to the Sheriff's Office for Access Securepak Sales: All relevant records covering the 36-month period from January 2021 through December 2023 were reviewed. No sampling was used in the reconciliation of commissions paid to the Sheriff's Office for Access Securepak sales.

FINDINGS

BANK RECONCILIATION & CONTROLS

Significant Finding #1 – Weaknesses in Bank Reconciliation Controls and Oversight:

The audit identified several internal control deficiencies related to the bank reconciliation process for the M&T Inmate Commissary account. Reconciliations were performed by the same individual responsible for processing invoice payments, transferring funds, and recording deposits, indicating a lack of segregation of duties. This lack of segregation of duties contradicts fundamental internal control principles and County policy, increasing the risk that errors or irregularities could occur without detection.

Additionally, the monthly ledger used for reconciliations was reportedly derived directly from the bank statement, with no evidence that an independent reconciliation was performed. Although the auditor could not fully verify this due to the departure of the employee responsible prior to fieldwork, the County's external auditor also noted this issue during their prior review.

Further, reconciliation records were maintained in manually editable Excel spreadsheets that lacked audit trails or access controls. There was no evidence of documented approvals or signoffs, suggesting that reconciliations were not subject to supervisory verification. These conditions increase the risk of fraud or irregularities going undetected and undermine the reliability of financial reporting.

Recommendation:

The Sheriff's Office should consider implementing stronger internal controls over the reconciliation process. Responsibilities for preparing deposits, reconciling bank accounts, and processing payments should be assigned to different individuals to the extent possible. Where full segregation of duties is not feasible, compensating controls such as documented supervisory review and approval of reconciliations should be introduced.

Additionally, reconciliation records should be maintained in a secure system with audit trails and access restrictions to prevent unauthorized modifications and enhance oversight. The ECSO should consider utilizing the County's accounting system (SAP) to track and maintain the activity in the Inmate Commissary Account.

Finding #2 – Lack of Timely Follow-Up on Outstanding Checks:

During the reconciliation process the audit identified three checks, totaling \$878.11, that were nearing the 180-day threshold without any documented follow up action. According to Erie County's Accounting Policy – Accounts Payable Overview, checks outstanding for more than 180 days are generally not honored. Although such checks may remain legally valid for up to three years, the absence of timely monitoring increases the risk of checks becoming stale, delays payments to vendors, and complicates financial reconciliation. This reflects a weakness in internal controls over disbursements.

<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>	<u>Check Date</u>
Check #1365:	Ferry Inc.	\$452.86	dated 7/31/23
Check #1366:	Green Valley Supplies	\$330.65	dated 7/31/23
Check #1375:	Green Valley Supplies	\$ 94.60	dated 9/22/23

Recommendation:

The Sheriff's Office should establish formal procedures integrated into the monthly reconciliation process for regularly reviewing outstanding checks, with particular attention to those approaching the 180-day threshold. These procedures should include:

- Timely outreach to payees to determine the status of uncashed checks
- Documentation of follow up efforts
- Initiating stop payments or re-issuing checks when appropriate, in accordance with County policy

In addition, the auditor recommends implementing Positive Pay services through M&T Bank. This would automate the monitoring of issued checks, streamline the identification of stale items, and reduce reliance on manual tracking. Leveraging this service would also enhance the efficiency of stop payment processing and improve the overall security of disbursement operations.

Finding #3 – Inadequate SAP Posting Practices for Commissary Transactions:

SAP is the County's official accounting system and should accurately reflect the financial activity related to the M&T Inmate Commissary Account. To ensure proper financial reporting and oversight, SAP records should be updated monthly and reconciled to the adjusted bank balance.

However, reconciliation testing identified deficiencies in how the ECSO records commissary-related activity in SAP (General Ledger #106950). Rather than posting detailed, month-by-month entries, ECSO frequently entered lump-sum amounts that combined multiple months of financial activity into a single transaction. This practice significantly reduces the transparency and traceability of financial data, making it difficult to verify individual transactions or assess the accuracy of posted amounts.

Audit testing confirmed that commissary activity occurred every month during the audit period; however, SAP entries were made only six times in 2021, eight times in 2022, and six times in 2023. These gaps were not due to a lack of financial transactions but resulted from ECSO's practice of consolidating several months of activity into a single entry. This approach impairs management's ability to reconcile SAP records with monthly bank statements and increases the risk of posting errors, omissions, and undetected discrepancies. It also limits the effectiveness of internal monitoring and weakens financial oversight.

Recommendation:

The Sheriff's Office should record detailed, transaction-level commissary activity in SAP on a monthly basis, aligned with the timing of actual financial transactions. Avoiding the consolidation of multiple months into lump-sum entries will improve transparency, traceability, and the accuracy of commissary fund reporting.

Consistent, detailed posting will also facilitate timely reconciliation to the M&T bank account and reduce reliance on separate manual Excel records minimizing the risk of data entry errors and enhancing the efficiency, security, and integrity of financial recordkeeping.

HANDLING OF INCOMING FUNDS

Significant Finding #4 – Weaknesses in Check Handling: Untimely Deposits and Inadequate Segregation of Duties:

The audit identified significant weaknesses in the handling of incoming checks deposited into the Inmate Commissary Fund bank account, specifically related to delayed deposits and a lack of segregation of duties both of which expose the Sheriff's Office to heightened risk of loss, error, or fraud within the Inmate Commissary Account.

1. Untimely Deposits of Incoming Checks

Of the 26 deposits reviewed, 13 included checks that were not deposited until more than 30 days after the check date, exceeding the timeframe of approximately two weeks described by Sheriff's Office staff as standard practice. Holding checks for extended periods increases the risk of theft, loss, or stale dating and delay revenue recognition.

2. Lack of Segregation of Duties in the Deposit Process

During the walkthrough of the Inmate Commissary Fund processes, it was confirmed that the Assistant Chief of Administrative Services is solely responsible for preparing deposit slips, making physical bank deposits, and reconciling the bank account. This concentration of duties represents a significant internal control weakness, as it eliminates independent oversight over key financial functions and increases the risk of undetected errors or misappropriation.

Recommendation:

To address these weaknesses, the Sheriff's Office should consider implementing a formal policy requiring all incoming checks to be deposited within 1 to 3 business days of receipt. A deposit log should be maintained to record both the date checks are received and the date they are deposited, supporting timely reconciliation and enabling effective oversight.

In addition, the Office should strengthen internal controls by ensuring that key functions in the deposit process, such as preparing deposit slips, making physical deposits, and reconciling the bank account are performed by different individuals. Where staffing limitations make full segregation impractical, compensating controls should be established, including documented supervisory review of deposit activity and independent reconciliation of bank statements.

To further reduce delays and minimize risk, the Sheriff's Office should consider implementing Remote Deposit Capture (RDC) technology, which would allow checks to be scanned and deposited electronically, eliminating the need for physical transport and improving the efficiency and security of the deposit process.

COMMISSARY EXPENSE REIMBURSEMENT

Significant Finding #5 – Weak Controls Over Commissary Reimbursements: Deposits, Recording Practices, and Budget Management:

Under 9 NYCRR Part 7016.3(b) and guidance from the New York State Commission of Correction (SCOC), counties are permitted to reimburse themselves from inmate commissary funds for reasonable administrative

costs directly related to the operation of the commissary program. Allowable expenses include staff salaries (with fringe) and occupancy costs, provided they are necessary and properly documented. To ensure compliance, such reimbursements must be accurately calculated, timely deposited, and transparently recorded.

The audit identified several weaknesses in the Sheriff's Office administration of these commissary reimbursements, specifically relating to outdated budgeting, delayed deposits, grouped financial entries, and a lack of segregation of duties, all of which undermine compliance, transparency, and effective financial oversight.

1) Inadequate Segregation of Duties

Erie County Bank Deposit Transmittals prepared by the Sheriff's Office to notify the Comptroller's Office of a deposit and identify the appropriate general ledger account showed that the same individual served as both the Depositor and the Approver. This lack of segregation of duties increases the risk of undetected errors or irregularities in deposit activity.

2) Grouped and Untimely SAP Entries

Deposits credited to GL #415620 (Commissary Reimbursements) were often entered into SAP as grouped transactions covering multiple months, rather than as individual entries. This reduces transparency, impedes reconciliation, and complicates financial oversight.

3) Delayed Deposit of Reimbursement Checks

On 11 occasions during the audit period, reimbursement checks issued by the Sheriff's Office to Erie County for commissary-related expenses were not deposited within 30 days of issuance. Rather than remitting the check promptly, the Sheriff's Office typically holds the check until it can be deposited in person. Once deposited the deposit receipt and transmittal are sent via email to the Comptroller's Office for posting. This delays revenue recognition and complicates reconciliation of the Inmate Commissary Account.

4) Commissary Reimbursement Budget Not Updated Timely – GL #415620

Although the County is permitted to recover reasonable administrative costs, including salaries and fringe benefits related to commissary operations, the budgeted reimbursement amount remained unchanged from 2014 through 2022, despite multiple salary increases during that period. The budget was not adjusted to reflect these changes until 2023. As a result, the County may not have fully recovered eligible administrative costs from commissary funds, potentially undermining fiscal accuracy and compliance with applicable financial guidance.

Recommendation:

The Sheriff's Office should review commissary expenses annually to reflect actual eligible salary and occupancy expenses (if applicable), in accordance with County procedures. Reimbursement deposits should be recorded in SAP as individual transactions and completed on a monthly basis to ensure transparency and facilitate reconciliation.

To strengthen internal controls, duties related to the preparation, approval, and entry of deposits should be segregated whenever possible. If staffing limitations make this impractical, compensating controls such as supervisory review of deposit records and independent reconciliation should be implemented.

Additionally, the Sheriff's Office should establish a defined timeframe for reimbursement check deposits, such as within 1 to 3 business days of issuance and consider replacing physical checks with Automated Clearing House (ACH) transfers to improve efficiency and reduce the risk of delay or loss.

WEAKNESSES IN INVOICE REVIEW, APPROVAL AND PAYMENT

Significant Finding #6 - Inadequate Approval and Segregation of Duties in Invoice Processing:

The auditor assessed the Sheriff's Office internal controls over invoice approval and segregation of duties for payments made from the inmate commissary bank account. This included a review of compliance with Erie County's Accounting Policy – Accounts Payable Overview, which requires all payments to be authorized by the Sheriff or an approved designee with budgetary responsibility.

The auditor also examined whether procurement responsibilities, such as purchasing, receiving, and payment authorization were appropriately segregated among different staff members. Proper segregation is essential to minimize the risk of fraud, errors, and financial mismanagement.

The audit revealed that 195 invoices were paid without a documented approval signature. Although some of these payments were recurring in nature (e.g., USA Today and Spectrum), County policy and sound financial practices still require that invoices and statements be reviewed for accuracy and approved by someone other than the individual processing the payment. In one case, a sales tax was inappropriately paid, an error that could have been avoided through proper invoice review.

The lack of documented approval and insufficient segregation of duties significantly weakens internal controls and increases the risk of unauthorized, inaccurate, or fraudulent disbursements. These risks are further heightened because the Sheriff's Office does not utilize the County's centralized accounting system, which includes built-in controls for invoice approval and workflow authorization.

Recommendation:

The Sheriff's Office should consider establishing and enforcing a formal procedure requiring that all invoices and payment requests be reviewed and approved in writing by the Sheriff or an authorized designee prior to payment. This approval should be documented on the invoice or supporting documentation.

To strengthen internal controls and reduce the risk of fraud or error, the Office should ensure proper segregation of duties by assigning purchasing, receiving, and payment approval responsibilities to different individuals. Additionally, recurring invoices and monthly service payments should not be exempt from review, each should be verified for accuracy and legitimacy before approval.

The Sheriff's Office should also consider utilizing the County's centralized accounting system (SAP), which includes built-in workflow controls that enforce segregation of duties and electronic approval tracking.

Finding #7 - Invoice Billing Discrepancies:

A review of all invoices revealed that 16 invoices from three vendors contained discrepancies between billed amounts and the pricing, quantities, or terms specified in the applicable contracts, bids, or proposals. These

inconsistencies resulted in overbilling, unauthorized purchases, and noncompliance with established procurement agreements. Notable examples include:

- Record 1 (1 invoice): Towing services were billed at \$250 per hour, despite the bid rate being \$118 per hour, resulting in an overpayment of \$132.00.
- Record 22 (2 invoices): The Sheriff's Office purchased 45 microwaves under two invoices referencing Bid #220336-004. The bid authorized the purchase of only 34 units at \$215 each (totaling \$7,310.00). The invoices totaled \$9,675.00, resulting in an overpayment of \$2,365.00.
- Records 26–39 (13 invoices): Staffing reimbursements for eight Transition Coordinator positions exceeded contractual limits in Schedule A of the amended agreement (September 2023) by \$41,762.86. Additionally, reimbursement for 20% of the Director of Community Program's salary exceeded the agreed amount by \$9,739.46. This resulted in a total overpayment to this vendor of \$51,502.32. While total contract disbursements remained within legislative approval, payments exceeded specific terms outlined in the governing agreement.

According to County procurement policies and standard contract management practices, vendor payments need to conform to the approved contract or bid specifications including unit costs, service rates, and authorized quantities. Deviations from these parameters are unauthorized and may represent a breakdown in fiscal oversight.

The audit found no formal process in place to reconcile invoices against contract or bid terms prior to payment. Furthermore, responsibilities for invoice review were not clearly segregated or monitored, increasing the risk that discrepancies would go undetected.

These control weaknesses resulted in documented overpayments totaling \$53,999.32. Without proper invoice reconciliation procedures, the Inmate Fund remains vulnerable to further financial loss, contractual noncompliance, and audit risk.

Recommendation:

The Sheriff's Office should conduct a comprehensive review of all vendor invoices to identify and address discrepancies between billed amounts and the pricing, quantities, or services specified in original contracts, bids, or proposals. All related procurement documentation should be consistently stored in OnBase, the county's document management and invoice processing system, to support transparency, auditability, and efficient review.

Since the Sheriff's Office does not utilize the County's centralized accounting system, where procurement duties are typically segregated, a formal reconciliation process should be implemented. This process should verify that all invoices align with agreed upon terms before payment is issued. It should also include timely correction of errors, adjustment of payments as needed, and documented supervisory approval.

Establishing these controls will reduce the risk of overpayments, ensure compliance with County procurement policies, and strengthen overall fiscal accountability.

Finding #8 - Invoices Paid Without Purchase Orders:

During testing of 233 invoices processed by the Sheriff's Office, 145 invoices representing approximately 62% were found to lack corresponding Purchase Orders (POs). This practice is not in compliance with the County of Erie's Accounting Policy – Payables Matching Requirement, which states that all payments must be supported by a valid PO. This policy ensures proper authorization, accurate expenditure tracking, maintenance of budgetary controls, and an appropriate audit trail.

The absence of POs limits the Sheriff's Office's ability to monitor and control spending and significantly increases the risk of unauthorized purchases and improper payments. This issue weakens internal financial controls and undermines both transparency and accountability in the procurement process.

Recommendation:

It is recommended that all invoices be matched to a valid Purchase Order (PO) prior to processing payment whenever feasibly possible. The Sheriff's Office should implement procedures to verify that POs are in place before any purchase is made. Additionally, individuals responsible for authorizing payments should ensure compliance with the County's Accounts Payable Matching Requirement by confirming that all invoices are properly supported by approved POs before payment is issued.

Finding # 9 - Lack of Documentation Confirming Receipt of Goods and Services:

During invoice testing, the auditor identified 128 invoices that lacked either a signed packing slip or documentation confirming the receipt of goods and services prior to payment. This practice is not in compliance with the Erie County Purchasing Policy under the "Receipt of Goods and Services" guidelines.

County policy requires departments to confirm that purchased goods and services have been received in full, in acceptable condition, and in sound operating order. This confirmation should be documented using signed packing slips, annotated invoices, or delivery receipts to support the payment process.

This issue is particularly significant because the Sheriff's Office does not utilize the County's centralized accounting system, which enforces segregation of duties by requiring receipt confirmation from someone other than the individual making the payment. Without the internal controls embedded in the County's system, the lack of independent verification further compromises financial oversight and increases the risk of payments for items unauthorized, not received, incomplete, or defective.

Failure to document the receipt of goods and services weakens accountability and exposes the inmate commissary funds to potential financial loss, erroneous payments, or disputes with vendors especially in an environment where compensating controls are not present.

Recommendation:

To ensure compliance with County policy, the Sheriff's Office should verify receipt of all goods and services prior to processing invoices for payment. A documented process should be established for inspecting shipments upon arrival, including obtaining signed packing slips and documenting confirmations of receipt.

Additionally, the Sheriff's Office should consider utilizing SAP to benefit from its built-in internal controls, including segregation of duties and automated receipt verification, thereby strengthening oversight and reducing the risk of payment errors.

Finding #10 - Untimely Payment of Invoices:

Multiple invoices from different vendors were found to have been paid after their respective due dates. While most of these delayed payments did not incur penalties, a total of \$2,331.09 in late fees were paid to Spectrum. According to the County's Internal Controls Policy, transactions should be processed in a timely manner to prevent misdirection of funds and avoid unnecessary costs. The late fees incurred indicate a breakdown in payment processing controls, suggesting that these controls may not be functioning as intended and result in avoidable financial losses.

Recommendation:

To prevent future late fees and strengthen internal controls, the Sheriff's Office should assign a dedicated staff member to monitor invoice due dates and establish a formal process to prioritize timely payments. Payment processing timelines should be reviewed and streamlined to ensure all invoices are paid before their due dates.

In addition, the Sheriff's Office should evaluate whether more favorable payment terms can be negotiated with vendors to allow greater flexibility in meeting due dates. The use of Automated Clearing House (ACH) payments is also strongly recommended. Transitioning from physical checks to ACH would improve efficiency, reduce the risk of delays and errors, enhance payment security, and lessen the administrative burden associated with manual check processing.

PROCUREMENT POLICY NONCOMPLIANCE AND CONTRACT OVERSIGHT DEFICIENCIES

Finding #11 - Non-Compliant with County Procurement Policies:

A review of all invoices found that 7 invoices identified discrepancies within the procurement system and procedures that impacted the effectiveness of these processes. Specifically, the invoiced goods and pricing did not consistently match the terms specified in the original contracts, bids, or proposals, resulting in instances of non-compliance.

- Invoice #CSB-9260 from CS Business Systems included billed items that were not listed on the referenced New York State (NYS) contract PM20860 or Bid #221006-005; however, the invoice was paid without verification. In addition, it was noted that the shipping cost of \$286.60 was crossed out and "No" was indicated as not to pay; however, it was included in the invoice total and the amount was paid in full.

Six out of the seven invoices were identified without a contract, proposal, or bid documentation attached or referenced, in violation of County procurement requirements.

- Four invoices were found to be missing proposals either attached to the invoices or within OnBase, the county's document management and invoice processing system. According to the Erie County Division of Purchase Policies and Procedures Overview for Professional Services, all contracts for professional, technical, and consulting services, including those below the \$10,000 RFP threshold, must be submitted to the County Legislature for approval, as outlined in Section 2602 of the Erie County Charter.

- Two invoices from the same vendor, issued in 2022, had an aggregate total of \$9,615.00 which violated the Informal Bid Process according to the Erie County Division of Purchase procedures as required pursuant to General Municipal Law Section 104-B which was revised in 2021. Any vendor payments with an annual aggregate between \$5,001 and \$19,999 require an informal bid process.

According to County procurement policies and applicable procurement laws, all vendor invoices must be accompanied by documentation that verifies compliance with established procurement procedures. These requirements help ensure accountability, proper authorization, and prevent unauthorized or non-competitive purchases.

The lack of documentation and use of the County's accounting system (SAP) impairs management's ability to verify that goods and services were procured in accordance with legal and policy requirements. This condition increases the risk of unapproved purchases, improper payments, and audit exceptions due to insufficient supporting records.

Recommendation:

Due to the fact that the Sheriff's Office does not utilize the County's accounting system, the Sheriff's Office should verify that all invoices are accompanied by the appropriate procurement documentation or NYS contract number prior to submission for payment.

All procurement records should be properly filed in OnBase to ensure traceability and compliance with County recordkeeping standards.

A system of accountability should be established to identify and correct non-compliant submissions, including assigning responsibility for monitoring documentation and implementing corrective actions as needed.

Finding #12 - Informal Agreement of Reduced Commission Rate Without Contract:

The Sheriff's Office does not currently have a formal contract in place specifically outlining the commission rates and terms for Access Securepak online commissary sales. In practice, a reduced 25% commission rate is being applied, which differs from the 40% rate specified in the existing Keefe Commissary Network agreement. This deficiency was initially identified in a December 2021 audit and, according to the Sheriff's Office, is expected to be addressed during the Keefe contract renewal in 2026.

In the interim, the absence of a formal agreement presents potential challenges in demonstrating compliance with New York State Correction Law §186, which requires appropriate contractual arrangements and oversight for inmate commissary operations. The lack of documentation also limits transparency and consistency in the administration of commissary revenues.

The Sheriff's Office has indicated that the reduced 25% commission rate is based on the nature of the items being purchased and the fact that orders are placed online by friends and family through Access Securepak. While this rationale may be reasonable, formalizing the current arrangement in writing with Keefe Commissary Network would help clarify the basis for the reduced rate and support oversight and financial accountability until a new contract is executed.

Recommendation:

The Sheriff's Office should obtain written confirmation from Keefe Commissary Network that outlines the current commission structure for Access Securepak online sales. Additionally, the Office should consider conducting due diligence to determine whether other correctional facilities receive a similar 25% commission rate for comparable online purchases. This would provide context on industry norms and establish a documented basis for the current rate.

Clarifying and documenting the rationale for the reduced commission rate will help demonstrate compliance with New York State Correction Law §186 and reinforce the integrity and transparency of commissary revenue practices in the absence of a formal agreement.

COMMISSION REVENUE OVERSIGHT AND COMPLIANCE

As part of its commissary operations, the Erie County Sheriff's Office (ECSO) receives commission payments from Keefe Commissary Network (KCN) based on inmate purchases of goods and services. These commissions represent a significant source of revenue for the Inmate Commissary Fund and include income from both traditional commissary sales and ancillary services such as tablet rentals and direct vending machine purchases.

Per the governing agreement with KCN, commission payments are to be calculated based on established rates (e.g., a percentage of gross or net sales, depending on the category) and remitted within 30 days following the invoice date. These payments are typically made by check from the Inmate Escrow Account and are deposited into the Inmate Commissary Account in a timely manner. Supporting documentation such as KCN Monthly Activity Reports and invoices is used to validate the accuracy of commission amounts and payment timing.

The auditor assessed the timeliness, accuracy, and reconciliation of the various commission payments and deposits for the audit period. The following findings detail issues related to delayed payments, inconsistencies in reported amounts, and weaknesses in deposit practices.

Finding #13 - Untimely Deposit of Commission Payments on Commissary Sales and Tablet Rentals:

The auditor evaluated whether the Erie County Sheriff's Office accurately and timely deposited commission payments into the Inmate Commissary Account during the audit period. Commission rates were generally applied in accordance with the contract, and detailed reports from Keefe Commissary Network (KCN) supported the accuracy of most commission calculations.

However, of the 37 payments reviewed, 26 exceeded the 30-day contractual payment term, indicating a consistent pattern of delayed deposits therefore impacting the timeliness of the reconciliation process.

While commission amounts were generally accurate, the lack of timely payments suggests a need for improved oversight.

Recommendation:

The Sheriff's Office should enhance oversight of commissary contract compliance by regularly tracking the timeliness of commission payments and promptly addressing any delays. Strengthening these controls will

support more effective reconciliation of both the Inmate Commissary Account and the Inmate Escrow Account, while also ensuring timely revenue collection and adherence to contractual obligations.

Finding #14 - Variance in Reported vs. Invoiced Direct Vending Commissions:

The auditor identified consistent variances between the direct vending commission amounts invoiced and those reported on the Keefe Commissary Network (KCN) Monthly Activity Reports for all 32 months. To verify accuracy, the auditor recalculated the expected commission by applying the 40% rate to commissioned sales and compared this figure to the "Discount" amount shown on each KCN Monthly Activity Report. The recalculated commission matched the reported Discount amount for all months reviewed.

However, when the Discount amounts from the 32 reports were compared to the commission amounts on the 33 invoices, a variance was identified in every month tested. Over the three-year period, the total variance amounted to \$5,665.36, with invoiced commissions exceeding the reported Discount amounts. Auditor did review the yearly totals to confirm the variance.

The cause of these variances could not be determined from the documentation provided. A key limitation was that the activity reports were dated only by month rather than by specific day, and the invoice numbers were generated based on the date sales were collected, which did not align with the Keefe Vending Summary Invoice numbers.

	Invoiced Payment	Keefe Report	Variance
2021	46,182.82	41,245.59	4,937.22
2022	31,372.64	21,426.46	9,946.18
2023	59,229.22	68,447.27	(9,218.04)
Total:	136,784.68	131,119.32	5,665.36

Recommendation:

The Sheriff's Office should coordinate with Keefe Commissary Network to reconcile discrepancies between invoiced and reported commission amounts by requesting more detailed, day-specific reports and consistent invoice references. Periodic internal reviews should be conducted to ensure contract compliance.

Finding #15 - Untimely Payment and Deposit of Direct Vending Commission Payments:

The auditor reviewed 32 checks issued for direct vending commission payments to the Sheriff's Office Jail Management Division (JMD), which collectively covered 33 reporting periods. This included a consolidated payment for June and July 2023 via check #8551.

To evaluate compliance with the Keefe Agreement which stipulates that commission payments must be remitted within 30 days (Net 30) of the invoice date from the Inmate Trust Account, the auditor compared each check's issuance date to its corresponding invoice date. The analysis revealed that 8 of the 33 payments (24%) were issued beyond the 30-day threshold, with delays averaging 79 days.

The same set of 32 checks was also examined to assess the timeliness of deposit into the M&T Commissary Account. According to the auditee, deposits are generally made on a biweekly schedule. The auditor therefore

assessed whether each check was deposited within 14 calendar days of issuance. Seventeen checks (53%) did not meet this benchmark, with an average delay of 36 days.

These delays in both payment issuance and deposit processing indicate weaknesses in controls over the timely management of commissary commission revenues. Such lapses may reduce transparency and affect accountability in the administration of commissary funds.

Recommendation:

To ensure the prompt and accurate handling of direct vending commission payments, the Sheriff's Office should consider developing and implementing formal, written procedures for reconciling vending reports and processing related payments. These procedures should establish clear timelines, including a requirement that deposits be made within one to three business days of receipt. They should also define staff roles and responsibilities for reconciliation, approval, and deposit activities, and include mechanisms to identify, escalate, and resolve missing or delayed payments.

In addition, the Sheriff's Office should consider transitioning to Automated Clearing House (ACH) transfers for receiving commission payments. Utilizing ACH would streamline fund processing, reduce reliance on paper checks, and improve the timeliness, security, and reliability of transactions. Strengthening these internal controls and adopting more efficient payment methods will improve the accountability, transparency, and oversight of commissary revenue management.

Finding #16 - Commission Payment Variance and Deposit Timeliness Issues – Access Securepak:

The auditor confirmed that the Sheriff's Office received the appropriate 25% commission on Access Securepak sales from January 1, 2021, through December 31, 2023. However, two key issues were identified during the review:

1) Commission Accuracy – Variance Identified:

A variance was noted between actual commissions received and total sales reported on Keefe's commission reports. This resulted in a net overpayment of \$1,237.58 to the Inmate Commissary Account over the three-year period. While the variance favored the inmate commissary funds, reconciliation is warranted to confirm its source and ensure overall accuracy in commission processing. Identifying the reason for the discrepancy is important, as it could indicate broader calculation or reporting issues that may result in underpayments in other contexts.

	Amount
Paid by Check by Keefe	\$58,209.86
Keefe Sales Reports	<u>\$56,972.28</u>
Variance	\$ 1,237.58 (2%)

2) Timeliness of Commission Deposits:

Commission payments from Access Securepak were not consistently deposited in a timely manner. In 4 out of 12 quarters, payments were received and deposited more than 30 days after the end of the quarter, indicating untimely remittance of funds to the Inmate Commissary Account. This inconsistency may affect the accuracy and timeliness of financial reporting and account reconciliation.

Recommendation:

The Sheriff's Office should perform a reconciliation of commission payments and sales records related to Access Securepak to determine the source of the identified variance. Although the variance resulted in overpayment to the Inmate Commissary Account, conducting a reconciliation would also help identify any potential underpayments, ensuring the accuracy of all future transactions. The overpayment should be formally addressed, either through correction or reimbursement, as appropriate.

Additionally, the Sheriff's Office should consider implementing procedures to improve the timeliness and accuracy of commission deposits. This includes adopting Remote Deposit Capture (RDC) technology, which allows checks to be scanned and deposited electronically without requiring physical transport to the bank. Establishing clear procedures for the use of RDC such as designated staff responsibilities, deposit schedules, and internal documentation will help ensure that payments are deposited promptly and securely. Together, these measures will strengthen contract oversight, improve cash management, and enhance financial accountability.

AUDITOR'S COMMENTS:

Comment #1 - Incorrect Return Address on Check:

During testing of checks issued from the M&T Inmate Commissary bank account (account number ending in 6378), the auditor observed that the return address printed on the Erie County Sheriff's Inmate Commissary checks incorrectly listed the state abbreviation as "PA" instead of "NY." This discrepancy should be corrected to ensure the return address accurately reflects the Sheriff's Office location in New York State.

Recommendation:

The Erie County Sheriff's Office should review the check layout and address details prior to reordering to ensure all printed information is accurate and up to date. Additionally, the Office should confirm with M&T Bank that internal records reflect the correct return address.

To improve documentation and payment tracking, the Office should consider transitioning from end-stub checks to duplicate checks, which provide a clearer record of each payment. Furthermore, the Office may wish to explore more efficient alternatives such as electronic bill pay or Automated Clearing House (ACH) payments, which could enhance payment accuracy, reduce processing time, and strengthen internal controls.

Comment #2 - Unsigned Duplicate Deposit Slips:

During the review of deposit transactions, it was noted that duplicate deposit slips were not consistently signed or initialed by the preparer. The absence of such signatures reduces accountability, weakens internal controls, and impairs the audit trail, making it difficult to verify who prepared or authorized the deposit. Signatures on deposit slips provide protection for both the preparer and the individual responsible for the deposit by preventing unauthorized substitution or alteration of deposit tickets and amounts.

Recommendation:

The Sheriff's Office should consider establishing a policy requiring all duplicate deposit slips to be signed or initialed by the person preparing and/or transporting the deposit. Furthermore, the Office should review

segregation of duties within the deposit and reconciliation processes to ensure that no single individual has complete control over these financial transactions. In cases where staffing constraints exist, compensating controls such as periodic independent reviews should be implemented.

Additionally, the Sheriff's Office should consider utilizing the County's accounting software, which enforces approval workflows and tracks deposit activities to strengthen compliance and oversight.

Comment #3 - Inconsistent Use of Restrictive Endorsements on Checks:

The auditor found that 3 out of 26 deposits reviewed included checks that were not properly endorsed with a restrictive endorsement (e.g., "For Deposit Only to the account of the Sheriff's Commissary account"). Restrictive endorsements are a key internal control that helps prevent misappropriation, loss, or improper deposit of funds. The absence of such endorsements increases the risk of checks being diverted, misused, or deposited into unauthorized accounts. Additionally, this practice does not align with the County of Erie's Cash Management Policy, which requires appropriate safeguards over check receipts.

Recommendation:

The Sheriff's Office should consider implementing and enforcing a policy requiring all checks to be restrictively endorsed immediately upon receipt. This can be achieved through the use of an endorsement stamp or a clearly written notation "For Deposit Only – Erie County Sheriff's Commissary Account". Ensuring consistent application of restrictive endorsements will strengthen internal controls, reduce the risk of errors or fraud, and improve compliance with County policy.

Comment #4 - Minor Unexplained Variances in Commissary and Tablet Commission Revenues:

The auditor assessed whether the Erie County Sheriff's Office received accurate commission payments on inmate commissary sales and tablet rentals from January 1, 2021, through December 31, 2023. Overall, commission rates were applied in accordance with contract terms, and supporting documentation from Keefe Commissary Network (KCN) substantiated the accuracy of most payments.

Although minor variances were identified in all months tested, 33 of the 37 variances were the result of commission amounts being carried over and paid in the following month. A small, unexplained aggregate variance of \$63.34 remained at the end of the audit period. This was primarily due to limited invoice details that hindered full reconciliation.

Recommendation:

The Sheriff's Office should request more detailed commission reports from Keefe Commissary Network to enable complete monthly reconciliations and improve transparency. Additionally, the Office should consider implementing a standard reconciliation process to track carried-over commission amounts and promptly investigate any unexplained discrepancies, regardless of materiality, to ensure accuracy and accountability.

Comment #5 - Limitations in Invoice Detail and Transparency from Keefe Commissary Network:

The auditor identified limitations in the level of detail provided in daily invoice summaries from the commissary vendor. Specifically, invoices grouped sales by inmate but did not include item-level detail, making it difficult to distinguish between different commissionable items or to verify the application of varying commission rates.

Additionally, prior to August 2023, commission revenue from commissary purchases and tablet rentals was combined in a single reporting category even though commission rates were different. This lack of separation further complicated reconciliation efforts, particularly when verifying whether appropriate commission rates were applied to distinct services.

These reporting limitations reduce transparency and hinder the Sheriff's Office's ability to independently verify commission accuracy, especially when multiple commission rates apply or when new revenue streams (e.g., tablet rentals) are introduced.

Recommendation:

The Sheriff's Office should require the vendor to provide itemized invoice reports that clearly distinguish between all categories of commissionable items, including separate subtotals for services with different commission and tax rates. Additionally, when changes are made to commission structures or new services are added, contract amendments should be executed promptly and effective dates clearly documented. This will ensure proper tracking, transparency, and accountability in commission revenue reporting.

Results of Exit Conference

An exit conference was offered to the Sheriff's Office; however, one was not held in person due to scheduling conflicts. Instead, the Audit Division and Sheriff's Office staff communicated by email and telephone to address questions on the draft report.

During the discussions, the Sheriff's Office provided additional documentation addressing Finding #12 in the draft report concerning the eligibility of ACTS Software expenses under the Commissary Fund. This included a legal opinion from the New York State Commission of Correction, which confirmed that the associated software maintenance fees are an allowable use of commissary funds when used for reentry services. After reviewing this information, the auditor removed this Finding from the final report.

No other concerns were raised by the Sheriff's Office regarding the remaining findings or comments.

The Erie County Comptroller's Office thanks the Erie County Sheriff's Office and its staff for the cooperation and courtesy extended to the Division of Audit during the course of the audit.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Hon. Mark C. Poloncarz, Erie County Executive
Hon. Sheriff John C. Garcia, Erie County Sheriff
Hon. Kevin R. Hardwick, Ph.D., Erie County Comptroller
Erie County Fiscal Stability Authority
Mark Cornell, Director of Budget and Management

APPENDIX A

AUDITEE'S RESPONSE TO AUDIT REPORT

