

**September 2025**

**Audit of the Erie County Office of the Sheriff  
Jail Management Division  
Inmate Escrow 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 performance audit of financial transactions in the Inmate Escrow bank account under the administrative control of the Erie County Sheriff's Office (ECSO). The audit reviewed activity from January 1, 2021, through December 31, 2023.

This audit focused on evaluating internal controls and accountability related to the account's establishment and operation, including the recording of receipts and disbursements and the reconciliation of all cash and cash equivalents (e.g., currency, checks, money orders, credit cards, and electronic transfers). The audit also assessed the efficiency and effectiveness of account management, the accuracy and completeness of supporting documentation, and compliance with County policies and applicable federal, state, and local regulations.

The Auditor believes the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

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 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.

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## **AUDITOR'S OPINION**

Based on the procedures performed and the evidence obtained, we conclude that the Erie County Sheriff's Office did not consistently maintain effective internal controls over the Inmate Escrow Account during the audit period. Significant deficiencies were identified in key areas, particularly in segregation of duties, reconciliation practices, financial reporting, and compliance with timeliness standards and County policies.

Throughout the audit period, critical functions such as initiating payments, recording deposits, and reconciling bank statements were frequently performed by a single individual, in violation of fundamental internal control principles. Reconciliations relied primarily on bank statements rather than independently maintained ledgers, and transaction level details were not consistently entered into SAP.

Moreover, ECSO's reliance on manually editable spreadsheets weakened oversight and increased the risk of error or manipulation. These spreadsheets lacked audit trails and built-in validation controls, making it difficult to detect inaccuracies. Additionally, the Keefe Commissary Network (KCN) system, which tracks inmate financial activity, was not reconciled with the Inmate Escrow bank account, undermining the accuracy and reliability of financial records.

These control weaknesses increase the risk of inaccurate or unreliable financial information or misappropriation of funds and necessitate corrective action. While ECSO reported implementing changes in 2024 to enhance oversight and segregation of duties, these improvements occurred after the audit period and could not be independently verified.

We recommend that ECSO continue to strengthen internal controls by ensuring all financial activity related to the Inmate Escrow Account is fully reconciled using system generated records from the Keefe Commissary Network and properly recorded in SAP. Doing so will enhance transparency, accountability, and compliance.

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## **BACKGROUND**

The ECSO administers the Inmate Escrow bank account to manage funds held in trust for individuals incarcerated at the Erie County Holding Center (ECHC) and the Erie County Correctional Facility (ECCF). These funds represent personal property and are not considered county funds. The account functions as a fiduciary account, used to receive, hold, and disburse inmate monies in accordance with applicable laws and policies.

Upon admission, any money in an inmate's possession is deposited into the account. Additional deposits may come from family or friends, inmate work program earnings, or other sources. Inmates may use their funds to purchase commissary items, pay for medical co-payments, fulfill court-ordered obligations, or receive the remaining balance upon release via check or cash.

The account is governed by Section 500-c of the New York State Correction Law, which requires sheriffs to safeguard inmate property, including money. Additionally, Title 9 NYCRR Part 7016 establishes minimum standards for the management of inmate funds, including maintaining individual accounts, detailed transaction records, and providing receipts and account statements to inmates.

As a fiduciary account, it is subject to governmental accounting standards, including guidance from the New York State Office of the State Comptroller (OSC), and must comply with internal control policies established by Erie County.

ECSO uses the Keefe Commissary Network system to track inmate financial transactions, including deposits, withdrawals, purchases, transfers, and abandoned funds.

The escrow account is held at M&T Bank, and ECSO personnel are responsible for ensuring that all deposits, disbursements, and balances are accurately recorded and reconciled in the County's financial system (SAP). Maintaining the integrity of this process is essential for transparency, fiduciary compliance, and the prevention of misappropriation.

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## **OBJECTIVE**

The primary objective of this audit was to evaluate the internal controls and accountability measures governing the Inmate Escrow Account. This included reviewing procedures for recording receipts and disbursements and reconciling all forms of cash and equivalents (currency, checks, money orders, credit cards, and electronic fund transfers).

We also assessed the efficiency of account management, the completeness and accuracy of supporting documentation, and compliance with applicable laws, regulations, and County policies. Our audit was made for the purpose previously discussed and would not necessarily disclose all instances of noncompliance with respect to areas of operations not audited.

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## METHODOLOGY

To satisfy the objectives within the audit scope, the Auditor obtained Internal and System Control Questionnaires (ISCQ) from the Erie County Sheriff's Office to establish a baseline for testing. The Auditor then identified the population and determined appropriate sample sizes for testing procedures related to the reconciliation of the M&T Inmate Escrow bank account, reconciliation of the Escrow account to the Keefe Commissary Network (KCN) General Ledger, reconciliation of receipts and deposits recorded in the Inmate Escrow account, reconciliation of inmate charges recorded in KCN to corresponding activity in the Inmate Escrow account, and the review of internal controls.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The audit team remained independent throughout and adhered to the Comptroller's quality control system.

To complete this testing, the Auditor performed the following specific actions:

1. Reconciliation of the M&T Inmate Escrow Bank Account: A full population review was conducted. All relevant documentation for the 36-month audit period (January 1, 2021 – December 31, 2023) was reviewed to reconcile the account. No sampling was applied.
2. Reconciliation of the Inmate Escrow Bank Account to the Keefe General Ledger: Due to the frequency and format of available documentation; specifically, monthly bank statements, Keefe GL reports, and SAP entries, the auditor reviewed all 12 months for each year, totaling 36 months of data from January 2021 through December 2023.
3. Reconciliation of Receipts/Deposits in the M&T Inmate Escrow Bank Account: The auditor performed a full review of all 324 deposits made in 2021 from both ECHC and ECCF. As 2021 had been fully reconciled, the 2022 sample included 208 deposits, consisting of all ECCF deposits and ECHC deposits from January, August, November, and December. For 2023, 303 deposits were reviewed, which included all ECCF deposits and ECHC deposits from July, August, September, October, and December. In total, 835 deposits were tested across the three-year period. The corresponding deposit testing spreadsheet is linked in the Source section.
4. Reconciliation of Inmate Charges in Keefe to the Inmate Escrow Bank Account and SAP: The auditor reviewed all months from 2021 to 2023 due to the lower dollar value of these charges compared to other Escrow components. Additionally, transactions related to Legal Financial Obligations (LFOs) and Restitution dating back to 2013 and 2014 were included, as the associated payments were processed during 2023 and therefore fell within the scope of the audit.

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## FINDINGS

### ACCOUNT RECONCILIATION

The audit identified significant internal control weaknesses over the Inmate Escrow bank account at the Erie County Sheriff's Office (ECSO) during the period from January 1, 2021, through December 31, 2023. These deficiencies related primarily to segregation of duties, reconciliation practices, check management, and handling of unexplained variances. Collectively, these weaknesses increase the risk of error, unreliable financial information, and misappropriation.

#### **Significant Finding #1 – Inadequate Segregation of Duties:**

During the audit period, the Assistant Chief of Administration performed several critical functions involving the Inmate Escrow bank account, including preparing monthly reconciliations, issuing payments through the Keefe Commissary Network (KCN), signing or stamping checks, and participating in related purchasing.

This concentration of responsibilities represents a fundamental breakdown in internal controls, significantly increasing the risk of undetected errors or fraud. Segregation of duties is a key internal control designed to prevent misuse and ensure independent oversight of financial activities.

#### **Improvements Following Administrative Transition**

In mid-2024, administrative changes resulted in a reassignment of duties. The individual now reconciling the escrow account no longer handles check issuance or purchasing. This realignment strengthens internal controls and better reflects best practices. This change fell outside the audit period; therefore, no evaluation of these controls was verified.

#### **Significant Finding #2 – Ineffective Reconciliation Due to Lack of Independent Ledger:**

The auditor compared adjusted bank balances to ECSO's internal reconciliations and check ledger across all 36 months of the audit period. Each month showed consistent variances.

These discrepancies stemmed from ECSO's use of a check ledger derived directly from bank statements, rather than an independently maintained ledger. Without an internal ledger that separately tracks checks and deposits, the reconciliation process lacked the essential comparison between two independent sources of financial data.

This practice undermines the effectiveness of reconciliations, reduces the ability to detect errors or irregularities, and contributed to persistent, unresolved variances throughout the audit period.

#### **Significant Finding #3 – Inadequate Oversight and Use of Keefe General Ledger:**

ECSO uses the Keefe Commissary Network (KCN) to manage inmate financial activity. The system generates a general ledger (GL) that reflects total inmate balances and transaction history. However, ECSO does not reconcile this ledger to the Inmate Escrow bank account.

Instead, the Office relies on a check ledger compiled from bank statements, an approach lacking independence and proper structure. As noted earlier, this creates a major internal control weakness.

The absence of formal reconciliation between the Keefe GL (the system of record) and the bank account impairs financial oversight. Discrepancies may go undetected, increasing the risk of error, unreliable financial information, or misuse.

#### Inconsistent Balances Across Financial Records

The auditor performed monthly reconciliations using the Keefe GL, ECSO's check ledger, and M&T Bank statements. Recurring variances were found across all sources. Despite relying on the Keefe system for financial management, ECSO failed to formally reconcile it to the bank undermining accuracy and reliability.

#### Unexplained Adjustment to Keefe General Ledger

An undocumented \$1,632.57 adjustment to the Keefe GL was made during ECSO's transition from the legacy Keefe system to the cloud platform. The auditee stated this was intended to reconcile the ledger to the bank account. However, no supporting documentation or justification was provided. The absence of explanation or approval limits transparency, weakens accountability, and increases financial risk. This adjustment has not been resolved.

#### Lack of Documentation for Manual Keefe GL Adjustments

A review of beginning and ending balances in Keefe's general ledger identified two manual adjustments, \$61.27 and \$84.90 made in June and July 2023, creating a cumulative variance of \$146.17.

According to ECSO, these adjustments were reimbursements for inmate grievances processed through petty cash. However, they were not supported by documentation or incorporated into formal reconciliation procedures, thereby weakening the audit trail and reducing transparency.

#### **Recommendation:**

The Erie County Sheriff's Office should maintain the improved segregation of duties by ensuring that responsibilities for financial reconciliation, check issuance, signing authority, and purchasing remain separated. To reinforce this structure, the Office should maintain clear documentation outlining the roles and responsibilities of all staff involved in financial processes and conduct periodic internal and managerial reviews to confirm compliance and prevent circumvention of internal controls. Regular oversight will help reduce risk, support fraud prevention efforts, and reinforce financial accountability across operations.

In addition, the Sheriff's Office should adopt the general ledger within the Keefe Commissary Network (KCN) system as the official record of inmate financial activity. This system generated ledger includes all relevant transactions, issued checks, deposits, voids, and adjustments and should serve as the primary source used during monthly bank reconciliations. Utilizing the Keefe ledger as the independent source will improve reconciliation accuracy, enhance the integrity of financial data, and align with best practices for fiduciary fund management. Periodic managerial reviews should also be incorporated to ensure the reconciliation process is functioning as intended and that discrepancies are identified and resolved promptly.

To strengthen financial oversight, the Sheriff's Office should implement formal reconciliation procedures that directly compare the Keefe general ledger with the Inmate Escrow bank account on a monthly basis. Financial records including the Keefe GL, check ledger, and bank statements should be kept aligned, with any discrepancies thoroughly investigated, documented, and resolved in a timely manner. Adjustments to financial records must be supported by clear explanations, approved by appropriate personnel, and accompanied by all necessary documentation. Regular managerial reviews should verify that reconciliation procedures are complete, consistent, and in accordance with policy.

Lastly, the Office should develop and enforce formal procedures for all manual adjustments made within the Keefe system. Each manual entry, such as petty cash reimbursements or grievance settlements, should be clearly documented, approved by designated personnel, and traceable through the system audit trail. Standardized documentation and oversight of these adjustments will help preserve the integrity of inmate records, improve transparency, and enhance internal controls. Periodic managerial reviews should be conducted to ensure that manual adjustments are appropriately recorded, justified, and properly authorized.

**Finding #4 – Incomplete and Irregular Use of SAP; Reconciliation Weaknesses:**

The Erie County Sheriff's Office (ECSO) maintains an Inmate Escrow Account at M&T Bank to manage inmate related financial activity. This account is mirrored in the County's SAP financial system through a Cash Control Account maintained by the Treasury Group under General Ledger (GL) #106900. This GL account is intended to track escrow related deposits and disbursements, enabling centralized reconciliation between bank activity, inmate ledger records (via the Keefe Commissary Network system), and the County's official financial records.

During the audit period, ECSO did not enter individual daily transactions into SAP. Instead, only net monthly totals were posted, and even those entries were inconsistent, some months showed no entries, while others contained combined totals spanning multiple months. This approach limits SAP's utility as a reliable tool for financial tracking and reconciliation.

Additionally, reconciliation discrepancies were identified between SAP, Keefe system records, and M&T Bank statements. In 8 of the 36 months reviewed, the amounts recorded in SAP did not align with the Keefe ledger data. In some instances, prior year charges, including charges dating back as far as 2013 were grouped with current year activity. This practice made it difficult to determine when charges were actually incurred and whether they were properly recorded in the correct fiscal period. These reconciliation gaps undermine the reliability of financial reporting and increase the risk of inaccurate or incomplete information.

**Recommendation:**

The Sheriff's Office should implement clear procedures to ensure that all inmate escrow related transactions are entered into SAP on a timely and consistent manner. SAP entries should reflect individual transactions or clearly itemized summaries that match the corresponding activity from the Keefe system and bank transmittals.

A formal monthly reconciliation process should be established to compare entries across SAP (GL #106900), the Keefe ledger, and M&T Bank statements. All discrepancies should be promptly investigated and resolved. Periodic managerial reviews should be conducted to verify that reconciliations are complete, accurate, and properly documented.

**Significant Finding #5 – Inadequate Oversight of Outstanding Checks:**

The auditor evaluated the Erie County Sheriff's Office's (ECSO) procedures for managing outstanding checks and reconciling the Inmate Escrow account. The review identified long standing variances and control deficiencies that undermined the accuracy and completeness of ECSO's financial records.

**Outstanding Check Variance of \$68.79 Not Properly Resolved**

A \$68.79 discrepancy was identified between the bank balance, Keefe general ledger (GL), and SAP records. This variance was traced to Check #6680, issued on October 21, 2020, which remained on the Outstanding Check Register through December 2021.

In January 2022, the check was removed from the outstanding check register without being voided in ECSO's records or the Keefe GL, and no stop payment was issued through the bank. As a result, the \$68.79 remained reflected in the bank and Keefe balances, but not in SAP, contributing to a persistent reconciliation variance that was carried forward through December 2023.

**Failure to Void Stale-Dated Checks and Issue Stop Payments**

During reconciliation testing, the auditor identified 46 checks still listed as outstanding as of December 31, 2023. The list included two checks from 2019, twenty-five from 2020, eighteen from 2021, and one from 2022. In two instances, checks were removed from the Outstanding Check Register without appropriate supporting documentation or system entries.



The failure to manage stale-dated checks in accordance with Erie County policy compromised the accuracy of ECSO's financial records and may have resulted in overstated available cash balances.

List of Stale Dated Checks

No.	Check No.	Date	Amt.	ECSO's Outstanding Check Register				
				21-Jan	21-Dec	22-Jan	23-Feb	
1	5504	4/19/2019	\$45.95	21-Jan	21-Dec	22-Jan	23-Feb	Removed but not voided in check ledger
2	5731	7/10/2019	\$16.31	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
3	6322	4/3/2020	\$10.82	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
4	6329	4/7/2020	\$7.96	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
5	6331	4/7/2020	\$9.77	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
6	6333	4/7/2020	\$31.92	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
7	6340	4/10/2020	\$49.06	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
8	6363	4/23/2020	\$30.05	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
9	6381	5/6/2020	\$78.88	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
10	6382	5/7/2020	\$31.72	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
11	6409	5/29/2020	\$24.86	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
12	6415	5/3/2020	\$34.66	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
13	6435	6/12/2020	\$60.00	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
14	6436	6/12/2020	\$88.52	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
15	6484	7/16/2020	\$24.30	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
16	6509	7/24/2020	\$11.60	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
17	6588	9/10/2020	\$27.34	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
18	6617	9/18/2020	\$21.31	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
19	6620	9/22/2020	\$27.90	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
20	6641	9/29/2020	\$45.58	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
21	6642	9/29/2020	\$33.00	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
22	6675	10/16/2020	\$20.07	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
23	6680	10/21/2020	\$68.79	21-Jan	21-Dec	Removed but not voided in check ledger		
24	6693	10/23/2020	\$11.35	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
25	6704	11/5/2020	\$30.00	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
26	6715	11/17/2020	\$19.57	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
27	6735	12/15/2020	\$64.69	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
28	6763	1/11/2021	\$18.83	21-Jan	21-Dec	22-Jan	23-Feb	23-Oct
29	6827	2/17/2021	\$14.38		21-Dec	22-Jan	23-Feb	23-Oct
30	6835	2/26/2021	\$68.79		21-Dec	22-Jan	23-Feb	23-Oct
31	6862	3/16/2021	\$45.00		21-Dec	22-Jan	23-Feb	23-Oct
32	6870	3/18/2021	\$20.55		21-Dec	22-Jan	23-Feb	23-Oct
33	6874	3/18/2021	\$80.14		21-Dec	22-Jan	23-Feb	23-Oct
34	6887	3/25/2021	\$44.00		21-Dec	22-Jan	23-Feb	23-Oct
35	6913	4/2/2021	\$14.33		21-Dec	22-Jan	23-Feb	23-Oct
36	7000	4/22/2021	\$75.68		21-Dec	22-Jan	23-Feb	23-Oct
37	7009	5/3/2021	\$122.57		21-Dec	22-Jan	23-Feb	23-Oct
38	7031	5/4/2021	\$15.50		21-Dec	22-Jan	23-Feb	23-Oct
39	7060	5/14/2021	\$40.59		21-Dec	22-Jan	23-Feb	23-Oct
40	7067	5/20/2021	\$18.34		21-Dec	22-Jan	23-Feb	23-Oct
41	7076	5/25/2021	\$12.16		21-Dec	22-Jan	23-Feb	23-Oct
42	7106	6/2/2021	\$26.98		21-Dec	22-Jan	23-Feb	23-Oct
43	7185	6/25/2021	\$77.25		21-Dec	22-Jan	23-Feb	23-Oct
44	7217	7/21/2021	\$63.71		21-Dec	22-Jan	23-Feb	23-Oct
45	7302	8/4/2021	\$42.18		21-Dec	22-Jan	23-Feb	23-Oct
46	7616	2/8/2022	\$380.64				23-Feb	23-Oct

**Recommendation:**

The auditor recommends that the Sheriff's Office strengthen its check management process and reconciliation controls to improve financial accuracy and ensure compliance with County policy.

As a first step, ECSO should take immediate action to resolve the current outstanding check variance by properly voiding Check #6680 in all financial records. ECSO should confirm with the bank that the check has not been presented for payment and, if necessary, issue a stop payment. A correcting entry should then be made in SAP to align the system with both the bank and the Keefe general ledger.

In addition, ECSO should conduct a full review of all currently outstanding stale-dated checks, including the 46 checks identified during the audit, and take corrective action as appropriate. Any checks that remain uncashed beyond a reasonable timeframe, typically six months should be promptly investigated. If appropriate, these checks should be



voided in all systems, with stop payments initiated as needed. All actions taken should be supported by appropriate documentation.

ECSCO should implement a formal, standardized procedure for the ongoing review and management of outstanding checks. These procedures should align with Erie County's policy on stale-dated vendor checks, which states that uncashed County issued checks older than 180 days remain valid but must be addressed before they are subject to escheatment to the New York State Comptroller's Office after three years.

Lastly, all check related adjustments should be clearly documented, including written justification, and receive approval from an individual with appropriate authority. These adjustments should also be reviewed by a supervisor independent of the preparer to ensure proper segregation of duties.

By adopting these improvements and addressing both existing and future stale-dated checks, the Sheriff's Office will enhance the accuracy of its financial records, reduce the risk of error or loss, and strengthen accountability over inmate funds.

**Finding #6 - Unexplained Bank Fee Carried Forward:**

During the auditor's review of ECSCO's reconciliation process, a \$560.09 unexplained item, labeled as a "bank fee" was identified and found to have been repeatedly carried forward in the Inmate Escrow account reconciliations from January 2021 through May 2023. No supporting documentation was available in either the M&T Bank statements or the Keefe Commissary Network (KCN) system to justify the fee. The item remained unresolved for over two years.

To address the discrepancy, ECSCO issued a check for \$560.09 from the Inmate Commissary Account to the Inmate Escrow Account, reportedly to cover the cost of checks. However, no corresponding fee or charge for this amount was located in the bank records to validate the reimbursement.

The transfer lacked formal justification, documentation, and proper approval. When questioned, ECSCO staff attributed the lack of information to leadership turnover and incomplete historical records. The auditor confirmed that no bank fees matching the amount were assessed at any point during the audit period. This shortage remains unresolved.

ERIE COUNTY SHERIFF'S OFFICE RECONCILIATION OF BANK STATEMENT FOR FLEET BANK FOR INMATE ESCROW ACCOUNT #9875618380 1/31/2021		ERIE COUNTY SHERIFF'S OFFICE RECONCILIATION OF BANK STATEMENT FOR FLEET BANK FOR INMATE ESCROW ACCOUNT #9875618380 4/30/2023	
BANK BALANCE AS PER STATEMENT:	675,360.33	BANK BALANCE AS PER STATEMENT:	552,816.91
Outstanding Checks:	(149,109.08)	Outstanding Checks:	(233,817.62)
ADJUSTED BANK BALANCE	<u>526,251.27</u>	ADJUSTED BANK BALANCE	<u>318,999.29</u>
Bank Fee - Checks	(569.09)	Bank Fee - Checks	(560.09)
CHECK BOOK BALANCE	526,811.36	Cancel Check Prior to Deposit Marcus Jones	(110.00)
ADJUSTED CHECK BOOK BALANCE	<u>526,251.27</u>	CHECK BOOK BALANCE	318,889.29
		ADJUSTED CHECK BOOK BALANCE	<u>318,999.29</u>

**Recommendation:**

The Sheriff's Office should consider establishing and implementing a formal procedure for managing overages and shortages related to inmate funds. This procedure should ensure that all unexplained charges, variances, or reconciling items identified during the monthly reconciliation process are promptly investigated, clearly documented, and appropriately resolved. Any inter-account transfers, especially those made to clear discrepancies, must be supported by documentation that outlines the reason for the transfer, the source of the variance, authorization by appropriate personnel, and evidence that the transaction complies with County financial policies.

Unresolved items should not be carried forward for extended periods, nor should they be offset using funds from unrelated accounts without written justification and oversight. Instituting these safeguards will enhance accountability, improve the reliability of financial records, and protect the integrity of both the Inmate Escrow and Inmate Commissary accounts.

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## **DEPOSIT HANDLING**

### **Significant Finding #7– Untimely Bank Deposits and Resulting Financial Risk:**

The Erie County Sheriff's Office (ECSO) maintains an Inmate Escrow bank account to manage inmate funds, including cash and checks received from various sources. ECSO's internal procedures allow for deposits to be made within 14 days of receipt. However, in practice, inmates are frequently credited immediately upon receipt of checks prior to deposit or bank clearance.

This practice exposes ECSO to financial risk. Delays in depositing funds, especially cash, increase the potential for loss, theft, or misappropriation. Additionally, holding checks for extended periods raises the likelihood of returned items due to insufficient funds, closed accounts, or stop payment orders. These delays undermine reconciliation efforts, weaken internal controls, and can result in unrecoverable losses or overdrawn inmate accounts.

Such issues were most notable at the Erie County Correctional Facility (ECCF) in Alden, where deposit delays were more frequently observed.

#### **Deposit Delays and Documentation Gaps**

A review of 835 deposits made between January 1, 2021, and December 31, 2023, revealed that 83 deposits (10%) occurred 15 to 43 days after receipt, exceeding ECSO's own 14-day policy. While most remaining deposits were within the allowable window, many took place 6 to 10 days after receipt, raising concerns about the security of funds held during that period, particularly cash.

#### **Financial Loss Due to Delay**

In one instance, a \$110 check dated May 31, 2022, was credited to an inmate's escrow account on August 3, 2022, and disbursed before the check cleared the bank. However, the issuer had placed a stop payment on the check on July 12, 2022, and the check was ultimately returned unpaid on August 4, 2022.

By that time, the inmate had been released, and the remaining balance in their account had already been paid out. As a result, the inmate escrow bank account incurred a loss of \$110, which remained unrecovered as of December 31, 2023.

This incident highlights the operational risk of crediting inmate accounts based on unverified or uncleared funds, as well as the financial impact of delays in deposit processing. Such practices can result in unrecoverable losses and undermine the integrity of account management procedures.

#### **Lack of Transparency in Deposit Processing**

The audit also identified a postal money order dated September 5, 2022, which was received on October 25th, but not deposited until December 7th, more than six weeks later. Insufficient documentation made it impossible to determine the cause of the delay or evaluate the appropriateness of the handling. The auditee could provide no reason for the delay, as the employee who would have handle the transaction no longer worked at the Sheriff's Office.

#### **Recommendation:**

The auditor recommends that the Sheriff's Office conduct a thorough review of its deposit procedures, with particular attention to practices at the Erie County Correctional Facility (ECCF), where delays were more frequent. Oversight and accountability should be strengthened to ensure that all inmate funds, especially cash and checks are securely handled

and deposited without unnecessary delay. Staff involved in the intake, handling, and deposit of funds should be properly trained and supervised to ensure adherence to established protocols.

While current ECSO procedures allow for deposits to be made within 14 days of receipt, the Erie County Internal Control Policy requires that deposits be made within one to three business days and recommends same day or next day deposits when possible. Continued reliance on the more lenient internal standard increases the risk of funds being lost, stolen, or returned, particularly when inmate accounts are credited before the checks have cleared.

To reduce financial and operational risk, the Sheriff's Office should align its deposit practices with County policy and ensure that checks are not credited to inmate accounts until they are actually deposited and cleared through the bank. All transactions should be thoroughly documented, including the date received, the date deposited, and the name of the staff member responsible. By improving timeliness and accuracy in deposit handling, ECSO can enhance financial controls, promote transparency, and better protect the assets entrusted to its care.

#### **Finding #8- Inadequate Documentation and Control Over Inmate Cash Payouts:**

The auditor reviewed daily Cashier Cash Logs and related records at both the Erie County Holding Center and ECCF. These logs are intended to track beginning and ending cash balances, record disbursements, and retain supporting payout slips signed by inmates.

However, significant documentation deficiencies were identified. A total of 215 payout receipts were missing inmate signatures, and 25 payout slips were entirely missing and could not be located. ECSO policy requires each "Paid Out" entry to be supported by a signed receipt from the inmate. The absence of these signatures and missing slips compromises accountability, weakens internal controls, and increases the risk of unauthorized or disputed transactions. It also exposes the Office to potential grievances over alleged non-receipt of funds.

The Erie County Sheriff's Office should strengthen oversight of cash disbursement practices by ensuring all payouts are documented with a receipt signed by the inmate and that payout slips are properly retained in accordance with recordkeeping policies. Staff should receive training and supervision to reinforce compliance. These controls are essential to maintaining accurate records and protecting both the Office and inmates from potential disputes.

#### **Recommendation:**

The Sheriff's Office should require a signed receipt from the inmate for every cash payout and ensure proper retention of payout slips in accordance with internal procedures and Erie County Internal Control Policy. The absence of inmate signatures or missing payout slips creates gaps in the documentation process, making it difficult to verify that funds were properly disbursed and recorded.

By reinforcing these requirements through staff training and supervision, and by performing periodic managerial reviews, the Sheriff's Office can enhance accountability, reduce the risk of error, and ensure compliance with county policies related to cash handling.

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#### **Posting Revenue from Inmate Escrow Account**

The Erie County Sheriff's Office (ECSO) is responsible for collecting various charges from inmate accounts, including postage, copies, disciplinary hearing fees, RCV restitution, and court file collection fees and remitting those funds to Erie County as revenue in the Sheriff's general fund budget. These transactions are tracked using the Keefe Commissary Network (KCN) system, with corresponding payments issued from the Inmate Escrow bank account and recorded in the County's SAP financial system.

The auditor reconciled charges recorded in Keefe with County Bank Deposit Transmittals, SAP entries, and bank activity to verify that collections and transfers were recorded accurately and in a timely manner.”

The reconciliation identified several deficiencies in internal controls, documentation, and the timing of payments that weakened the transparency and reliability of financial reporting and timely reconciliation. While some discrepancies may have been affected by the transition to a Keefe's cloud platform, similar issues were identified throughout the audit period (2021–2023), indicating broader systemic weaknesses.

**Finding #9 – Inadequate Segregation of Duties in Bank Deposit Transmittals:**

For all deposit periods reviewed from 2021 through 2023, the same staff member both prepared and approved bank deposit transmittals from the Inmate Escrow account. This practice violates Erie County's Internal Control Policy, which requires separation of duties among those responsible for authorization, recordkeeping, and custody of assets. Without a secondary review, a key control intended to prevent or detect errors or misappropriation is missing.

**Recommendation:**

The Sheriff's Office should revise its procedures to ensure that bank deposit transmittals are subject to dual control. Specifically, one staff member should prepare the transmittal, while a second individual independently reviews and approves it. This adjustment will bring procedures into alignment with Erie County's segregation of duties policy, add an essential layer of oversight, and help safeguard against posting errors.

**Finding #10 – Delayed and Nontransparent Processing of Inmate Charges:**

Charges for inmate services, such as postage, copies, and disciplinary hearings, are collected from inmate accounts and posted as revenue to the Sheriff's general fund budget. The audit found that these revenues were often transferred in lump sums without sufficient breakdown by month. For example, a \$14,624.55 check issued on July 11, 2023, included charges spanning a 10-year period, some dating back to 2013.

After October 2023, monthly revenue transfers stopped entirely. Multiple months of charges were instead paid in aggregated lump sums in June 2024, labeled broadly (e.g., "October 2023 through June 2024") without supporting detail.

This lack of documentation prevented the auditor from verifying the accuracy and timing of revenues. The absence of transparency reduced accountability, hindered proper reconciliations, and increased the risk of errors or unreliable financial information.

**Recommendation:**

The Sheriff's Office should implement procedures to ensure that all inmate related charges are transferred to Erie County on a monthly basis. These transfers should be recorded in the same accounting period in which the charges are incurred, in accordance with the County's financial policies. Establishing a routine, itemized transfer schedule will support accurate and timely financial reporting, allow for consistent reconciliation of accounts, and promote greater transparency and accountability in the management of inmate related revenues.

**Finding #11 – Lack of Supporting Documentation for Payments to Erie County:**

While ECSO regularly disbursed funds from the Inmate Escrow account to the Sheriff's Office general fund budget, payments lacked detailed supporting documentation. Disbursements transferred via bank deposit transmittals for general categories such as "Copies," "Postage," and "Disciplinary Hearings" did not include records sufficient to verify the amounts transmitted.

During the audit, one transmittal was identified with a fund misclassification: revenue for "Inmate Discip. Surch (Dis Hearings)" under GL#415600, totaling \$2,063.83, was incorrectly posted to "Other Dept. Inc. Copies" under GL#422000 on June 9, 2021. This error has not been corrected.

Without adequate supporting documentation, the validity and accuracy of transfers cannot be independently verified, increasing the risk of misclassification or errors in financial reporting.

**Recommendation:**

The Sheriff's Office should ensure that all payments from the Inmate Escrow account are accompanied by detailed documentation generated from the Keefe system, specifically verifying the amounts collected for each individual general ledger account. These records should align with the specific time periods in which the charges occurred. In addition, internal reviews of disbursements should include verification of proper account coding and classification to reduce the risk of error or misstatement and to improve internal control over financial reporting.

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**COMMENT**

**Comment #1 – Missing Duplicate Deposit Tickets in Cashier Cash Logs:**

During fieldwork, the audit found that duplicate deposit tickets were not attached to the daily cashier cash logs, which is considered a best practice for supporting accurate reconciliation and strong internal controls. To verify the continuity and completeness of the logs, the auditor relied on comparing the ending balance from one day's cash sheet to the beginning balance of the next day's sheet and then confirming the amount against the bank statement.

The absence of duplicate deposit tickets impeded the auditor's ability to verify the completeness and accuracy of daily deposits and to identify the individual who prepared each deposit. Without these tickets, a reviewer cannot independently confirm that the amount recorded on the cashier's log matches the amount being deposited. This lack of documentation limits accountability and weakens oversight, particularly when delays or discrepancies in deposits occur.

To strengthen internal controls, it is recommended that the individual preparing the deposit sign the deposit ticket. This signature provides a clear audit trail, reinforces personal accountability, and ensures greater transparency in cases where the person preparing the deposit is not the same as the person delivering or depositing the funds.

Although not legally required, maintaining signed duplicate deposit tickets is a widely recognized best practice. It enhances internal controls, supports timely and accurate reconciliations, and promotes the integrity of the cash handling process.

**Recommendation:**

Management should consider implementing a procedure requiring cashiers to consistently attach signed or initialed duplicate deposit tickets to their cash logs. Additionally, periodic reviews should be conducted to ensure staff comply with this requirement. Establishing this control will improve the accuracy and completeness of deposit records and support effective reconciliation to bank deposits.

**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. No concerns were raised by the Sheriff's Office regarding the 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

RE: Draft Audit Reports

 lozzia, Corie  
To:  Nylz Hosler, Mary  
Cc:  Donovan, Timothy;  Hall, Elizabeth;  Schuster, Jessica;  Hardwick, Hon. Kevin;  Garcia, John;  Cooley, William;  Barklow, Amy

  Reply  Reply All  Forward  

 You replied to this message on 9/25/2025 at 4:14 PM

3 Min 9/25/2025 4:15 PM

Hi Mary,

Below is the response pertaining to both the Commissary and Escrow accounts.

We acknowledge that the audit period from January 1, 2021, to December 31, 2023, reflects operations that occurred prior to the current administration's tenure. As expected, certain practices, policies, and procedures from the previous administration extended into the early stages of the current term. In 2024, a new Chief of Administration was appointed, marking the beginning of a renewed focus on strengthening internal controls and enhancing operational efficiency. Since then, the administration has implemented a series of strategic improvements, including the reassignment of responsibilities to better align with best practices and support the evolving needs of the Sheriff's Office. Our dedication to continuous improvement remains unwavering. We will carefully review and consider all findings and recommendations presented in this audit as part of our ongoing efforts to advance transparency, accountability, and performance.

Best,  
Corie