



**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER  
AUDIT DIVISION**

**John M. Kennedy, Jr.  
Comptroller**

**An Audit of the  
Suffolk County Sheriff's Department  
Follow-Up on Previous Commissary Account Audit  
For the Period January 1, 2016 through June 30, 2016**

**Report No. 2017-01  
Date Issued: February 10, 2017**

**SUFFOLK COUNTY  
OFFICE OF THE COMPTROLLER**

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**LETTER OF TRANSMITTAL**

December 14, 2016

Hon. Vincent F. DeMarco  
Sheriff of Suffolk County  
100 Center Drive  
Riverhead, NY 11901

Dear Sheriff DeMarco:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), we performed a follow-up audit of the recommendations made in our prior audit report of the Suffolk County Sheriff Department's (Department) Inmate Commissary Accounts located at 100 Center Drive, Riverhead, NY 11901 (Audit Report No. 2015-13, issued on December 31, 2015).

The objective of our follow-up audit was to determine if the Department implemented the recommendations contained in the aforementioned audit report which was conducted for the period January 1, 2010 through December 31, 2010. The follow-up audit focused on the status of those recommendations during the period January 1, 2016 through June 30, 2016.

Our audit determined that the Department did not fully implement seven of the eleven recommendations made in our prior audit report.

Respectfully submitted,

Office of the County Comptroller  
Division of Auditing Services

## GENERAL INFORMATION

The Department operates a commissary for inmates located in Suffolk County correctional facilities pursuant to 9 NYCRR Part 7016.1 (Establishment of commissaries or canteens in correctional institutions), and New York Codes, Rules and Regulations (NYCRR) Part 7016 (Commissary). In part, 9 NYCRR 7016.1 states the following:

- “A commissary may be established, maintained and operated for the purpose of making available, for sale to prisoners, items deemed proper by such officials and consistent with the health and welfare of the prisoners and the security and general operation of the facility concerned.
- The prices of any items offered for sale shall be fixed by the sheriff, or official in charge, to the extent that the commissary operation will be self-supporting and will provide a modest return above costs.
- Profits resulting from commissary sales shall be deposited in a separate bank account and shall be utilized only for purposes of prisoner welfare and rehabilitation.
- Commissary accounts shall be maintained in a manner which will fully substantiate all purchases, sales, and expenditures, and definite arrangements shall be made for periodic audit of the commissary accounts.”

The Commissary operation is located in the Riverhead Correctional Facility and provides inmates with the opportunity to purchase various items such as snacks, toiletries, and garments. The Department runs the commissary with all transactions being accounted for in three funds (accounts) - the Commissary Fund, the Profit Account, and the Prisoner Fund. The Commissary Fund accounts for receipts and disbursements related to the commissary store; the Profit Account accounts for all transfers of profit from the Commissary operation and any purchases made with those profits; and the Prisoner Fund accounts for all receipts and disbursements made from the various inmates' accounts.

## SCOPE AND METHODOLOGY

The period covered by this audit was January 1, 2016 through June 30, 2016. We performed the following procedures in order to determine the implementation status of the recommendations contained in the aforementioned prior audit report:

- Obtained and reviewed prior audit findings identified in Audit Report No. 2015-13, for the period January 1, 2010 through December 31, 2010.
- Secured and reviewed applicable laws, regulations and corrections directives issued by the Department that were pertinent to the Commissary operation.
- Interviewed various Departmental personnel involved in the commissary operations to obtain an understanding of the Department's changes that may have occurred since the release of the prior audit report and the current status of the prior audit recommendations.
- Obtained an electronic schedule of all receipts and disbursements pertaining to the Commissary Fund, Prisoner Fund and Profit Fund from March 1, 2016 through May 31, 2016.
- Judgmentally selected five transactions for the Commissary Fund, Prisoner Fund and Profit Fund from the above electronic schedule for testing. Performed audit procedures as deemed necessary to accomplish our audit objectives.

## AUDIT RESULTS

Audit Report No. 2015-13 contained eleven audit recommendations. Our follow-up audit determined that four of the eleven recommendations were satisfactorily implemented by the Department. The seven recommendations that were not fully implemented are reported herein with their current status and our suggested corrective measures:

***Prior Audit Recommendation*** – Although the Profit Account is not considered facility money, the Department has a fiduciary responsibility to safeguard fund assets. Therefore, the Department should follow the provisions of New York State General Municipal Law 103 and obtain advertised sealed bids when required, so that the best possible price is obtained. Effective June 22, 2010, the monetary threshold for purchases requiring advertised sealed bids was raised to purchases exceeding \$20,000.

***Current Status*** – The Department is not complying with the provisions of General Municipal Law 103. We found one \$52,500 purchase for TeleCorrections Terminals made from the Commissary Account that was not awarded via advertised, sealed bid in accordance with the General Municipal Law.

***Audit and Control's Follow-up Recommendation 1*** – The Department should follow the provisions of New York State General Municipal Law 103 and obtain advertised, sealed bids when required, so that the best possible price is obtained. The current monetary threshold for purchases requiring advertised, sealed bids is purchases exceeding \$20,000.

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***Prior Audit Recommendation*** – In order to comply with Suffolk County Standard Operation Procedure (SOP) D-08, the Department should deposit all proceeds within twenty-four hours of receipt. If the Department cannot comply with this requirement, we recommend that they report their non-compliance on SCIN 216: Annual Statement of Compliance with SOP D-08.

***Current Status*** – Proceeds are not always deposited within twenty-four hours of receipt as required by SOP D-08. The Department stated that it is making deposits on a daily basis, except for weekends. However, when the Correction Officer in charge of the Inmates Account Unit is off or on vacation, there is no back up personnel to make the deposits within the required twenty four hours.

***Audit and Control's Follow-up Recommendation 2*** – The Department should comply with SOP D-08 and deposit all proceeds within twenty-four hours of receipt. If the employee in charge of making the deposits is off or on vacation, the Department should designate another employee to make the deposits in their absence.

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***Prior Audit Recommendation*** – The Department should determine an allocation of salaries and related fringe benefits that are necessary to administer the Commissary operation. The determined amount should be charged to the operation as an administrative expense. In addition, the Department should determine whether prices for commissary items require adjustment to ensure that the operation is self-supporting. It should be noted that \$294,269 in permanent salaries and overtime directly related to the non-mandated operation of the commissary for fiscal year 2014 was transferred from the Sheriff's Commissary Fund Account to the General Fund per Suffolk County Resolution No. 939-2015, in November 2015.

***Current Status*** – The Commissary operation was not self-supporting as required by New York Codes, Rules and Regulations, Vol. 9, Section 7016.1 Commissary, during the audit period. The commissary operation is run by both correction officers and civilian employees whose salaries are funded by the County. We found that the Department currently allocates overtime for the three correctional officers and the salaries for the three civilians to the Commissary operation; however, the applied costs do not include the base salaries of the three correctional officers who work full time in the commissary. In addition, there were no fringe benefits costs included in the allocation and the Department could not provide written support for their allocation methodology.

***Audit and Control's Follow-up Recommendation 3*** – The Department should prepare time studies for each correction officer assigned to the commissary store. The percentage of each correction officer's time that is attributed to commissary operations should be applied to each officer's salary and related fringe benefits and charged to the operation as an administrative expense.

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***Prior Audit Recommendation*** – Adequate segregation of duties with regard to inventory needs to be implemented in order to safeguard assets against misappropriation. Different individuals should be in charge of the authorization and recording of inventory transactions and the physical custody of inventory assets. Additionally, physical inventory counts should be verified by an individual who does not work in the commissary store, and any variance existing at the end of each month between the book value of inventory and the physical count of inventory should be written off to cost of goods sold in the monthly profit reports provided to the Inmate Accounts' Section by the Commissary operations. Any significant variances between the physical count and the book amount should be investigated by management.

***Current Status*** – There is inadequate segregation of duties with regard to inventory. The same employee who orders commissary goods also receives and has custody of the inventory, maintains the inventory records and authorizes payment of the invoice. These circumstances increase the risk that defalcation could occur without detection. Physical inventory counts are currently being verified by an individual who does not work in the commissary store.

***Audit and Control's Follow-up Recommendation 4*** – Adequate segregation of duties with regard to inventory needs to be implemented in order to safeguard assets against misappropriation. For effective internal control, the job duties involving the purchase of supplies should be separate from those involving the receipt of such purchases. Different individuals should be in charge of the authorization and recording of inventory transactions and the physical custody of inventory assets.

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***Prior Audit Recommendation*** – The Department should prepare written procedures for authorization requirements within the Commissary Fund, Profit Account, and Prisoner Fund. The procedures should include the manual procedures, computer procedures and authorization requirements for each transaction.

***Current Status*** – The Department does not currently have a manual that documents the process of authorization necessary to record commissary operation transactions. Written procedures are necessary to provide guidance and maintain the consistency of transactions. The Department has issued written procedures for the Profit and Prisoner Accounts; however, there is currently no manual that documents the process of authorization necessary to record commissary operation transactions.

***Audit and Control's Follow-up Recommendation 5*** – The Department should prepare written procedures for authorization requirements within the Commissary Fund. The procedures should include the manual procedures, computer procedures and authorization requirements for each transaction.

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***Prior Audit Recommendation*** – The Department should create and maintain a fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account Funds. The log should detail the acquisition date, useful life and disposal date of the asset. In addition, procedures for the proper authorization for disposal of equipment need to be implemented, and records of disposals need to be prepared and retained to aid in the safeguarding of assets and detection of any misappropriations.

***Current Status*** – The Department currently has a fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account Funds; however, the log does not include all of the required information, such as the useful life and disposal date of the asset. The Department does not have procedures for the proper authorization for disposal of equipment, but now records disposals of equipment.

***Audit and Control's Follow-up Recommendation 6*** – The Department should update its fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account funds so that it contains the useful life and disposal date of the asset. The Department has implemented procedures for the proper authorization for disposal of equipment, and retains records of disposals.

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***Prior Audit Recommendation*** – The Department should make every effort to utilize qualified vendors and obtain the best possible price by obtaining comparable quotes and/or bids before making purchases. Also, the Department should maintain sufficient documentation to support the vendor selection and their attempt to obtain the best possible price for commissary purchases.

***Current Status*** – The Department does not always obtain comparable quotes or bids for purchases made for the commissary store which results in some items being purchased at inflated prices. The Department is continuing to purchase items from a questionable vendor as the vendor's address is for a private residence and the prices of the items purchased appear excessive in that the items are not unusual in nature. In addition, inventory purchases do not require any internal authorizations; therefore, contracts are not always awarded to the vendor with the lowest prices. Furthermore, invoices are not reviewed for price accuracy prior to being approved.

***Audit and Control's Follow-up Recommendation 7*** – The Department should obtain comparable quotes or bids for purchases made for the commissary store and should make every effort to utilize qualified vendors to obtain the best possible price before making purchases. Also, the Department should maintain sufficient documentation to support the vendor selection and their attempt to obtain the best possible price for commissary purchases. Furthermore, internal authorizations should be required for inventory purchases and invoices should be reviewed for price accuracy prior to being approved.

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**APPENDICES**

## APPENDIX A

### COUNTY OF SUFFOLK



OFFICE OF THE SHERIFF

VINCENT F. DEMARCO  
SHERIFF

January 12, 2016

Mr. Frank Bayer  
Executive Director of Auditing Services  
Suffolk County Department of Audit and Control  
H. Lee Dennison Building  
100 Veteran's Memorial Highway  
Hauppauge, NY 11788

Subject: Comptroller's Report on the Inmate Commissary Operation  
(Follow-up Audit Report No. 2015-13)

Dear Mr. Bayer:

Listed below is the response from my office for the recent audit of our correctional division's Commissary Unit operation. I wish to thank our office for their diligence, guidance, assistance and professionalism through the course of this audit.

**Audit and Control's Follow-up Recommendation 1** – The Department should follow the provisions of New York State General Municipal Law 103 and obtain advertised, sealed bids when required, so that the best possible price is obtained. The current monetary threshold for purchases requiring advertised, sealed bids is purchases exceeding \$20,000.

**Response 1** – The Office of the Sheriff agrees with Audit and Control's assertion that the Sheriff Office has a fiduciary responsibility to safeguard monetary assets and should obtain the best possible pricing. The Sheriff's Office will comply with the auditors' recommendation and utilize advertised sealed bids for future purchases exceeding \$20,000.00.

**Audit and Control's Follow-up Recommendation 2** – The Department should comply with SOP D-08 and deposit all proceeds within twenty-four hours of receipt. If the employee in charge of making the deposits is off or on vacation, the Department should designate another employee to make the deposits in their absence.

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**Response 2** – The Sheriff's Office strives to make timely deposits. Separation of duties among staff carrying out fiduciary responsibilities as well as built-in departmental checks and balances in relation to receiving and processing inmate funds, bails, and bank transfers precludes the simple temporary reassignment of Inmate Accounts staff on a per diem basis. Administrative staff is currently researching feasibility of adding an additional employee to the Inmate Accounts Unit. Future non-compliance will be noted annually on SCIN-216 Annual Statement of Compliance with SOP D-08 form.

**Audit and Control's Follow-up Recommendation 3** – The Department should prepare time studies for each correction officer assigned to the commissary store. The percentage of each correction officer's time that is attributed to commissary operations should be applied to each officer's salary and related fringe benefits and charged to the operation as an administrative expense.

**Response 3** – It is the opinion of the Sheriff's Office that the Correction Officers assigned to the commissary unit during normal operating hours, have the primary job function of providing for the safety, security, and good order of the commissary unit in that there are both inmate and civilian workers within the work site. This primary function relates more to those officers' role as law enforcement officers, rather than a function of the commissary operation. When deliveries are being made after normal commissary operating hours, the costs incurred are reimbursed to the county from the Commissary Fund as those costs are directly attributed to the commissary operation.

**Audit and Control's Follow-up Recommendation 4** – Adequate segregation of duties with regard to inventory needs to be implemented in order to safeguard assets against misappropriation. For effective internal control, the job duties involving the purchase of supplies should be separate from those involving the receipt of such purchases. Different individuals should be in charge of the authorization and recording of inventory transactions and the physical custody of inventory assets.

**Response 4** – The Sheriff's Office strives to follow accepted general accounting principles. Segregation of these duties will be achieved by adding additional duties to other personnel. The Sheriff's Office Administrative Bureau will now place all commissary orders. The commissary staff will inventory and request replenishment of all items.

**Audit and Control's Follow-up Recommendation 5** – The Department should prepare written procedures for authorization requirements within the Commissary Fund. The procedures should include the manual procedures, computer procedures and authorization requirements for each transaction.

**Response 5** – The Sheriff's Office will add a section to the Commissary Directives Guide which will delineate required steps to make purchases, including manual and computer procedures and authorization requirements.

**Audit and Control's Follow-up Recommendation 6** – The Department should update its fixed asset log of all equipment and furnishings purchased with Commissary and Profit Account funds so that it contains the useful life and disposal date of the asset. The Department has implemented procedures for the proper authorization for disposal of equipment, and retains records of disposals.

**Response 6** – The Asset Management Section, as well as the Inmate Programs Section, have added the two requested columns to the Fixed Asset Excel spreadsheet. The “Disposal Date” column has been placed adjacent to the existing “Date Out of Service” column. The “Expected Useful Life” of items not under warranty column has been added and assigned an estimated life based on the opinion of Asset Management and Inmate Program personnel.

**Audit and Control's Follow-up Recommendation 7** – The Department should obtain comparable quotes or bids for purchases made for the commissary store and should make every effort to utilize qualified vendors to obtain the best possible price before making purchases. Also, the Department should maintain sufficient documentation to support the vendor selection and their attempt to obtain the best possible price for commissary purchases. Furthermore, internal authorizations should be required for inventory purchases and invoices should be reviewed for price accuracy prior to being approved.

**Response 7** - The Sheriff's Office Administrative Bureau staff will be assuming the purchasing responsibilities of inmate commissary and will make every effort to utilize qualified vendors, and on an annual basis, request quotes from multiple vendors selling similar items. When a situation precludes the Sheriff's Office from utilizing a vendor with a more competitive price, the Sheriff's Office will record the reason (e.g., packaging that creates a substantial security threat) for review at audit.

Should you require anything further from us pertaining to this matter, please do not hesitate to contact Warden Michael J. Franchi at 2-2282.

Sincerely,



Michael J. Franchi  
Warden  
Suffolk County Sheriff's Office

MJF/lb

**APPENDIX B**

**Comptroller Office's Comments on the Department's Response**

**Auditee: Suffolk County Sheriff's Department – Inmate Commissary Accounts**

The Department submitted a written response to the audit report (Appendix A, p. 9). In its response the Department concurred with the audit findings and has taken corrective action in response to our audit. Therefore, no modification of the audit report is warranted.

We extend our gratitude to the personnel at the Suffolk County Sheriff's Department for their cooperation during the audit and for taking corrective action to address the deficiencies identified in our report.