

**OFFICE OF THE KANE COUNTY AUDITOR**  
*Terry Hunt, Kane County Auditor*

**Canteen Commission  
Fund Performance Audit**

October 19, 2020

Mariola Oscarson  
Deputy Auditor

Kristin Jenkins  
Staff Auditor

719 S. Batavia Ave, Geneva, IL 60134  
(630) 232-5915 FAX: (630) 208-3838

## TABLE OF CONTENTS

OBJECTIVES & SCOPE .....	2
BACKGROUND.....	2
OBSERVATIONS & RECOMMENDATIONS.....	3
CONCLUSION .....	9
ACKNOWLEDGEMENTS.....	10

## OBJECTIVES & SCOPE

The purpose of this audit was to ensure the commissary provider is compliant with its agreement with the Kane County Sheriff's Office (KCSO) and to ensure adequate procedures and processes are in place to properly account for the commissary service activities. The audit was agreed to by the KCSO, as a result of completing and issuing the Kane County Jail Commissary Service Audit Fiscal Year 2019 report.

The audit included the Kane County Sheriff's Office Canteen Commission Fund (251.380.386) and the KCSO commissary provider transaction activity.

It did not include transactions and activities in other Kane County Sheriff Office funds or the Detainee Account Fund (766).

The audit covered activity for the fiscal year ended November 30, 2019.

## BACKGROUND

The Kane County Sheriff's Office established and continues to maintain a commissary system in the Adult Justice Center. The purpose of the commissary system is to provide detainees with items or access to services approved by the Sheriff. The system is divided into two groups.

The first group represents detainee purchases from Aramark Correctional Services, LLC (Aramark), who has exclusive rights to sell food, candy, gum, non-alcoholic beverages, health and drug items, and general merchandise. Aramark purchases and pays for all food, supplies, and services in connection with the service. It determines purchase prices, receives orders, distributes commissary articles purchased, maintains records of all transaction activity, and calculates the commission earned by the Sheriff's Office.

The second group represents services, such as haircuts and medical treatments, provided to detainees and coordinated by the Sheriff's Office.

The Sheriff's Office maintains two funds involved in the commissary system:

- (1) Canteen Commission Fund (251.380.386) - Special Revenue - Governmental Fund  
*To account for commissions from sales on commissary to be used to purchase items of benefit to the inmates*
  
- (2) (Individual) Detainee Account Fund (766) - Agency – Fiduciary Fund  
*To account for money contributed by friends, family members, etc for inmates, as they are not allowed to possess cash*

Commissary systems are regulated by the Illinois Joint Committee on Administrative Rules (JCAR) Administrative Code Title 20 Section 701.250 – Commissary. An annual inspection is completed by the Illinois Department of Corrections to ensure compliance with the standard. Furthermore, an annually audit is required to be completed by the County Auditor or County Treasurer.

**1. No control reliance provided by commissary provider for services provided**

Rating

High

Observation

Per the commissary services agreement, Aramark Correctional Services, LLC maintains records of all detainee purchases made through the commissary system, sets the purchase price of commissary articles, calculates KCSO commissions earned, and pays commission to KCSO. Significant reliance is placed on the commissary service provider to ensure the commissary system remains compliant with JCAR standard. However, there is little assurance provided to KCSO to ensure the commissary service provider is compliant. Risk of noncompliance lies with KCSO, so KCSO is responsible for developing internal controls and continuous monitoring of the commissary service provider processes and procedures, until the commissary service provider is able to provide KCSO with such assurance.

Recommendation

Request Aramark Correctional Services, LLC to create and provide an annually SOC Type 1 and Type 2 report in order to obtain system and control reliance on its processes.

Type 1 report reports on the fairness of the presentation of management’s description of the service organization’s system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date.

Type 2 report reports on the fairness of the presentation of management’s description of the service organization’s system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description throughout a specified period to internal control reliance over its recordkeeping systems and processes.

If these reports are unavailable, KCSO should develop internal controls and continuous monitoring procedures over the following:

- a. Information Technology General Controls (ITGC) of the software system used to record transaction activity
- b. Establishing and monitoring detainee purchase prices
- c. Calculating commission earned

Managements Response

Due to staffing limitations, additional monitoring activities is not feasible, however, KCSO will continue to follow up with our commissary provider to develop and provide a SOC Type 1 and Type 2 report.

**2. Detainee purchase prices are greater than local community stores**

Rating

High

Observation

Aramark Correctional Services, LLC determines the detainee purchase price of commissary articles, maintains records of commissary articles for sale, and tracks detainee purchases made. In our testing, we tested 30 commissary items. There was 1 commissary article sold that did not match the approved purchase price. It was greater than the approved purchase price, resulting in the purchase price being greater than local community store prices. In addition, there were 8 other commissary articles identified with purchase prices greater than local community store prices.

With the lack of controls in place and assurance that controls are operating effectively, the KCSO should become more involved in the process to ensure compliance with the JCAR standards are maintained. In addition, Aramark Correctional Services, LLC should design internal controls and provide assurance that those controls are operating effectively to minimize future risk of noncompliance.

Recommendation

Discussions with Aramark Correctional Services, LLC should be requested immediately to correct the finding, to improve processes, and to minimize future risk of noncompliance.

KCSO should consider becoming more involved in the process to guarantee compliance with the standard.

Actions to consider:

1. Review purchase prices for all commissary articles match approved prices
2. Review purchase prices for all commissary articles do not exceed local community stores

Managements Response

KCSO will work with the commissary provider to review and update the purchase prices to be in line with local community store prices.

**3. Missing documented processes and procedures**

Rating

Moderate

Observation

Processes and procedures are not documented. Maintaining written processes and procedures ensure procedures and processes remain consistence, especially in the event of personnel change, and become a training tool to help transition staff.

Recommendation

Document policies and procedures over the commissary processes to ensure work is properly performed and procedures and processes remain consistent.

Management response:

KCSO will begin documenting processes and procedures.

**4. Commissions earned from commissary provider are not recalculated**

Rating

Moderate

### Observation

KCSO commission checks are earned for detainee commissary purchases every 2 weeks. The KCSO reviews the checks only to ensure they are received timely but do not verify the amount of commissions earned. Due to the low to no control comfort obtained from the commissary service provider, the commission earned should be reviewed and recalculated to ensure accuracy of the commission being received based on the signed Statement of Work.

### Recommendation

KCSO should verify the commissions earned is accurate and appropriate either by performing the recalculation internally or requesting an audit to be completed.

### Managements Response

Due to staffing limitations, recalculation of commission earned for every check is not feasible, however, KCSO does spot check the commission earned periodically throughout the year. With the commissary provider granting access to all transaction activities recorded, it would be possible in future annual audits to recalculate commission earned.

## **5. Inconsistent detainee purchase price lists maintained**

### Rating

Moderate

### Observation

Aramark Correctional Services, LLC maintains multiple price lists of commissary articles for sale. One is maintained in an excel spreadsheet and shared with detainees for ordering when kiosks are not available. There are multiple versions of this spreadsheet depending on the behavior of the detainee. The second price list is available in the kiosk system software. Both types of lists are manually maintained and contain multiple errors. Price list one has missing articles for sale and incorrect purchase prices listed, while price list two has incorrect purchase prices. Furthermore, prices are not updated timely, in price list one, and changes made to the price list are not reviewed, for both price lists. Maintaining multiple records of the same information could lead to confusion, inconsistencies, and error. Furthermore, it could result in loss of sale, incorrect records, and noncompliance with JCAR standards.

### Recommendation

One master list of all goods sold in the commissary system should be maintained, updated, and reviewed on an as needed basis. This list should include:

- a. Name, description, size of item
- b. Quantity included
- c. Discontinued items and promotional items.
- d. Prices old / new
- e. Approval of price change
- f. Approval of adding item

Controls, procedures, and check and balances should be developed in maintaining this list as well as updating the kiosk system software. For instance, perform a 3 way match between (1) prices approved by KCSO, (2) prices entered on price list, and (3) prices entered into kiosk software to ensure consistency between multiple internal records.

Managements Response

KCSO will provide recommendation to the commissary provider to create and maintain one master price list. Furthermore, KCSO will start requiring future price changes to be signed off on prior to implementing.

**6. Missing documentation approving commissary purchase price changes, new commissary articles sold to detainees, and updated ordering and receiving schedule for commissary articles.**

Rating

Low

Observation

Currently, the commissary system maintains multiple verbal agreements. Kane County Sheriff's Office (KCSO) verbally approves price changes, new commissary items, and schedule changes with Aramark Correctional Services, LLC. Lack of documented arrangements could drive inconsistencies in the processes and result in miscommunication. Further, verbal agreements might not be honored when there is personnel turnover, which could result in disruption or error to processes and procedures and lead to noncompliance with JCAR standards.

Recommendation

To improve maintenance of records, refrain from verbal agreements being the final form of agreement and instead create an audit trail. Once KCSO provides verbal confirmation, at a minimum, an email exchange outlining the terms or initials signing off on the change should be requested and maintained.

Managements Response

KCSO will work with the commissary provider to start requiring future price changes, new commissary articles, and schedule changes to be signed off on prior to implementing.

**7. Discrepancies identified between the commissary service provider agreement and actual procedures**

Rating

Low

Observation

The KCSO and Aramark Correctional Services, LLC commissary service agreement is inconsistent with practice. There are processing fees the Sheriff's Office pays on certain detainee items and earns a different commission rate on the purchase of phone cards than what is outline in the Statement of Work. While there are verbal agreements in place to confirm the method of current practice is appropriate and approved, the inconsistencies could carryover to in future renewals / negotiations and lead to discrepancies in the future.

Recommendation

Prior to signing a new agreement with the commissary provider, review the terms, and request the language to reflect processes and procedures currently in place, if agree to the same terms.

Managements Response

KCSO will update the language in the next agreement to properly reflect practice.

**8. Missing documentation of detainee approved programs by the Sheriff**

Rating

Low

Observation

There is limited to no direct evidence available of formal approval for certain detainee programs by the Sheriff. Furthermore, while there appears to be a process established, it does not appear to be documented. Developing a formal approval process will provide the direct level of evidence required to corroborate the authenticity of the program. Furthermore, it will help establish a timeline of when the program was approved to ensure the program was approved by the Sheriff prior to the date of service / expenditure date.

Recommendation

To improve maintenance of records, refrain from verbal discussion being the final form of agreement and instead create an audit trail. At a minimum, an email exchange or recording meeting minutes outlining the terms or cost of the program would substantiate the existence of an arrangement or approval from the Sheriff.

Managements Response

KCSO will share recommendation with the Sheriff.

**9. Missing documentation of vendor selection**

Rating

Low

Observation

There is limited to no direct evidence available for selecting vendors. With the challenges of finding vendors willing to provide services to detainees, the risk of finding qualified and affordable vendors significantly increases. A procurement process should be developed and followed. It can ensure compliance with all applicable laws and ensure that fair and equitable treatment is provided to all parties involved. Further, it would foster a competitive bidding environment to maximize public procurement funds, thereby increasing public confidence in the Sheriff's Office purchasing practices.

Recommendation

Develop and maintain a procurement process for determining which vendor will provide commissary services and operate programs.

Managements Response

KCSO will share recommendation with the Sheriff.

**10. Missing documentation of fee arrangement with selected vendor**

Rating

Low

Observation

There is limited to no direct evidence available of agreed to fees with vendor providers (vendor agreements). While most of the programs are scheduled based on demand and availability of the vendor, there is no contractual obligation between the two parties. Providers are paid based on receipt of invoice, which could



cause uncertainties and budgeting issues for the fund activity. Entering into a vendor agreement, will at least help establish a fee / rate (i.e. per hour, per event, per program, per detainee, etc), which could then be used to help budget the fund and allow for more / less programs or benefits for the detainees.

Recommendation

Sign agreements with vendors to ensure existence of arrangements, to understand roles and responsibilities, and to list terms of agreement.

Managements Response

KCSO will share recommendation with the Sheriff.

**11. Transaction activity is improperly classified**

Rating

Low

Observation

Identified a \$5,300 expenditure recorded to Contractual Services, however, supporting evidence would suggest the expenditure should be recorded to Commodities instead. With activities originally being recorded by the Canteen fund administrator in the KCSO financial reporting software and then exported, shared, and uploaded into the County financial reporting software by the Kane County Finance Department, descriptions of activity should be carefully worded.

Recommendation

With the fiscal year reporting period closed and the dollar amount of the reclass not being deemed material to the fund level or countywide level, restatement was not deemed necessary. Communicate misstatement to the County Finance Department for final determination.

Going forward, as activity is recorded in one financial reporting software and then exported and upload into the County financial reporting software, to be mindful of inputs recorded. If the expenditure purchased relates to an item, the description should elude to a tangible item being purchased. If the expenditure purchased relates to a service, action words should be used to describe the expenditure.

Managements Response

KCSO was not aware that the Kane County Finance Department re-entered all transaction activity into NWS. KCSO will be more diligent in recording descriptions in its financial software to minimize future misinterpretation.

**12. Transaction activity from Canteen Commission Fund is recorded in multiple locations**

Rating

Low

Observation

The Canteen Commission Fund activity continues to be tracked with the Sheriff's independent financial software as opposed to the County's accounting system. As a result, the County's accounting records are only updated periodically using the bank account reconciliations provided by the Sheriff's Office. With the fund

being reclassified in 2017 from Fiduciary - Off Balance Sheet Account Fund to Governmental - Special Revenue Funds, the fund activity should be recorded primarily in the County's accounting records.

Recommendation

Special revenue fund activity should be recorded directly in to New World System in keeping with best financial practices. Information will be available timely and could reduce the risk of error. This practice will increase the level of internal controls over approving transactions and monitoring financial activity.

Management response:

KCSO will share the recommendation with the Sheriff and will work with the Finance Department and Treasurer's Office to determine if the change is applicable.

**13. Improper description of the Canteen Commission Fund per the fiscal year 2019 issued CAFR**

Rating

Low

Observation

The Canteen Commission Fund description per the Nonmajor Governmental Funds – Special Revenue Fund section of the fiscal year 2019 CAFR states that the fund is used *“To account for money contributed by friends, family members, etc for inmates, as they are not allowed to possess cash”*. This does not accurately reflect the purpose of the fund and should be reviewed and revised for future CAFRs.

Recommendation

Review the description of the Canteen Commission Fund and provide the Kane County Finance Department with an updated description that properly reflects the purpose of the fund.

Management response:

KCSO will follow up with the Finance Department to update the description of fund in the CAFR.

## CONCLUSION

Based on the audit completed, the commissary provider appears compliant with its agreement, however, there appear to be many opportunities for KCSO to enhance its monitoring activities over the commissary provider to ensure compliance with JCAR standards. Furthermore, KCSO can enhance its procedures to request and maintain physical documentation over its approval process to ensure accountability and to create an audit trail.

## ACKNOWLEDGEMENTS

The Auditor's Office would like to thank all those who assisted us in our audit. Your cooperation and prompt assistance is greatly appreciated.

Regards,

OFFICE OF THE KANE COUNTY AUDITOR



Terry Hunt

*Kane County Auditor*



Mariola Oscarson

*Kane County Deputy Auditor*



Kristin Jenkins

*Kane County Staff Auditor*