



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



AUDITS AND SPECIAL REPORTS

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Department of
Correction's Controls over Commissary
Operations

SR18-083A

November 16, 2018

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

November 16, 2018

To the Residents of the City of New York:

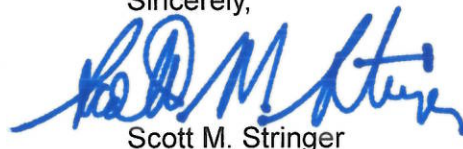
My office has audited the Department of Corrections (DOC) to determine whether DOC is maintaining adequate controls over its commissary operations. We perform audits such as this to ensure that City agencies operate efficiently and are accountable for resources and revenues in their charge.

The audit found that DOC's commissaries are providing the intended services for the inmates but that controls need to be strengthened to prevent duplicate payments to vendors, reduce waste, and to better ensure the proper accounting for inventory. The audit found that despite having segregated duties for the procurement of items, and monitoring of inventory levels, receipt of merchandise, commissary transactions, and commissary inventory, DOC made duplicate payments for a number of purchases, which remained undetected until they were discovered through our audit. Specifically, DOC made duplicate payments to 16 vendors totaling \$109,701 because the agency did not follow Comptroller's Directive #11 and DOC's Directive # 1501R-A. In addition, the audit noted minor discrepancies between the actual inventory found at two commissaries and the inventory reported on the Inmate Financial Commissary Management (IFCOM) system. Specifically, during the inventory count at the two commissaries, auditors found that 4,173 (1.3 percent) of the 328,515 items listed in IFCOM as on hand could not be accounted for. The audit also found that 3,192 items were present at the two facilities, but not recorded in IFCOM, which increases the risk of undetected waste and/or theft of items purchased for the commissary.

The audit recommended that DOC ensure that: (1) the full \$109,701 in duplicate payments is recouped from the vendors that received them; (2) the original invoices and packing slips with the required "merchandise certification" stamps and signatures are submitted to Financial Services within 24 hours of the receipt of commissary merchandise; (3) payments are made only after the original invoices and packaging slips with the required "merchandise certification" stamps signed by the correction officers responsible for receiving the merchandise are received; (4) all discrepancies in the inventory are properly investigated; and (5) bar code scanners are used when staff processes inmate sales, enters received goods, and conducts physical inventory counts to minimize data entry errors and to provide a more accurate accounting of sales and inventory.

The results of the audit have been discussed with DOC officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report. If you have any questions concerning this report, please email my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,



Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER AUDITS AND SPECIAL REPORTS

Audit Report on the Department of Correction's Controls over Commissary Operations

SR18-083A

EXECUTIVE SUMMARY

The New York City Department of Correction (DOC) provides for the care, custody, and control of persons accused of crimes and those convicted and sentenced to one year or less of jail time. As part of the criminal justice system, DOC seeks to enhance public safety by maintaining a safe and secure environment for the staff, while providing inmates with the tools and opportunities they need to successfully re-enter their communities.

The average daily inmate population of DOC is approximately 8,896 individuals.¹ Most of the inmates in DOC custody are housed on Rikers Island, which has 10 individual jails (8 active and 2 inactive) that can house as many as 15,000 inmates. DOC operates 11 commissaries—8 on Rikers Island and 3 in borough facilities—where inmates may purchase various items, such as toiletries, batteries, snacks, and beverages.

DOC utilizes the Inmate Financial Commissary Management system (IFCOM) to electronically perform the accounting functions for inmate accounts, commissary transactions, and commissary inventory. IFCOM is also utilized to record the inventory activities at each commissary, including the actual count of all items in each commissary on a monthly basis, the comparison of physical inventory counts with the IFCOM “on hand counts” at the time such physical inventory counts are undertaken, the reconciliation of any discrepancies, any adjustments for damaged inventory, and approval by the Commissary Manager of any adjusted inventory balances.

DOC's Financial Services Division, through its Central Commissary Unit (CCU), has responsibility for maintaining an adequate supply of inventory at each commissary through the procurement or transfer of commissary merchandise. According to the Commissary Operation Financial Report, in Fiscal Year 2017, the 11 commissaries had inventory expenses totaling \$9,147,697. Two of the 11 commissaries, the Anna M. Kross Center (AMKC) and the Eric M. Taylor Center (EMTC), both located on Rikers Island, had the highest inventory expenses, totaling \$1,831,602 and \$1,236,703 respectively, that year.

¹ NYC Department of Correction at a Glance, Information for Entire FY 2018

Audit Findings and Conclusion

Our audit found that DOC's commissaries are providing the intended services for the inmates but that the controls need to be strengthened to prevent duplicate payments to vendors and waste, and to ensure proper accounting for inventory. We found, that despite having segregated duties for the procurement of items, monitoring of inventory levels, receipt of merchandise, commissary transactions, and commissary inventory, DOC made duplicate payments for a number of purchases, which remained undetected until they were discovered through our audit. Specifically, DOC made duplicate payments to 16 vendors totaling \$109,701 because the agency did not follow New York City Comptroller's Directive #11 and DOC's Directive # 1501R-A, both of which stipulate that payment should be made only on the required original invoice bearing the proper approval signatures.

In addition, we noted minor discrepancies between the actual inventory found at two commissaries and the inventory reported on the IFCOM system. Specifically, during our inventory count at the AMKC and EMTC commissaries, we found that 4,173 (1.3 percent) of the 328,515 items listed in IFCOM as on hand could not be accounted for. The 4,173 unaccounted-for items had a total value of \$4,619, representing 2.6 percent of the total value of the inventory listed in IFCOM for the two facilities, which was \$178,983. We also found that 3,192 items were present at the two facilities, but not recorded in IFCOM, which increases the risk of undetected waste and/or theft of items purchased for the commissary. The 3,192 items had a total value of \$3,778 representing 2.1 percent of the \$178,983 total value of the reported inventory.

Audit Recommendations

The audit resulted in five recommendations, specifically, that DOC ensure that:

1. The full \$109,701 in duplicate payments is recouped from the vendors that received them.
2. The original invoices and packing slips with the required "merchandise certification" stamps and signatures are submitted to Financial Services within 24 hours of the receipt of commissary merchandise, as prescribed by DOC's existing directive.
3. Payments are made only after the original invoices and packaging slips with the required "merchandise certification" stamps signed by the correction officers responsible for receiving the merchandise are received.
4. All discrepancies in the inventory are properly investigated. The findings of the investigation must be documented in writing and reported to the appropriate management-level official(s).
5. Bar code scanners are used when the commissary staff processes inmate sales, enters received goods, and conducts physical inventory counts to minimize data entry errors and to provide a more accurate accounting of sales and inventory.

Agency Response

In its response, DOC agreed with four recommendations, either expressly or by describing steps it has taken or will take to implement them, and in effect rejected the fifth recommendation—to use its bar code scanners to track commissary inventory—by stating that it planned to outsource commissary operations in the future and thereby eliminate its need to manage the inventory of commissary merchandise.

AUDIT REPORT

Background

DOC provides for the care, custody, and control of persons accused of crimes and those convicted and sentenced to one year or less of jail time. As part of the criminal justice system, DOC seeks to enhance public safety by maintaining a safe and secure environment for the staff, while providing inmates with the tools and opportunities they need to successfully re-enter their communities.

The average daily inmate population of DOC is approximately 8,896 individuals. Most of the inmates in DOC custody are housed on Rikers Island, which has 10 individual jails (8 active and 2 inactive) that can house as many as 15,000 inmates. The Rikers facilities include a jail for sentenced males, another for sentenced and detainee females, and a detention center for adolescent males (ages 16 to 18). The seven other jails on the Island, when active, house adult male detainees. In addition to the Rikers facilities, the Department operates 3 borough jails, 16 court detention facilities, and 2 hospital prison wards.

Commissary Oversight and Operation

DOC operates 11 commissaries—8 on Rikers Island and 3 in borough facilities—where inmates may purchase various items, such as toiletries, batteries, snacks, and beverages. The CCU in DOC's Financial Services Division oversees the operation of the commissaries. All goods sold at the commissaries are ordered by the Commissary Operations Manager at the CCU. DOC's Central Office of Procurement, a unit in Budget, Management & Planning is responsible for preparing the purchase orders. Seven staff members in the Accounts Payables Unit in Financial Services Division are responsible for creating payment vouchers in New York City's Financial Management System (FMS) to pay the vendors.

Each commissary has a civilian Commissary Manager or a uniform staff person who is responsible for managing its day-to-day operations, including its staffing by Commissary Officers (Correction Officers) and commissary clerks (inmates approved for commissary work duty). The commissaries operate five days per week, Monday through Friday. Inmates are given the opportunity to purchase commissary merchandise at least once a week, according to an assigned day and time, and each inmate is limited to a maximum weekly purchase amount of \$125. Each day, groups of inmates are escorted by Correction Officers to make their purchases at the facility's commissary. The inmates hand in their identification (ID) cards and indicate to the commissary clerk which items they wish to purchase. The commissary clerk prepares each inmate's order, places the items in a basket, and hands each inmate's ID card to the Commissary Officer. The Commissary Officer will then enter all the purchases in DOC's IFCOM system, which debits the inmates' accounts and reduces the commissary's inventory. The inmates will then receive the items they purchased, their printed receipts, and their ID cards. Each inmate must sign the Commissary Sales Log that lists the inmate's ID number and the dollar amount of his or her purchase.

It is the responsibility of the Commissary Manager to ensure that complete and accurate data regarding the purchases made by the inmates is recorded in IFCOM.

DOC's IFCOM System

DOC utilizes the IFCOM system to electronically perform the accounting functions for inmate accounts, commissary transactions, and commissary inventory. Inmates' accounts are credited for the funds their families deposit and are charged for the merchandise the inmates purchase. IFCOM also prints out the receipts for the merchandise each inmate purchases, which contains the inmate's name and identification number. The inmate's receipt produced by IFCOM should identify the item, quantity, unit cost, item total, and the total cost of the items purchased.

IFCOM is also utilized to record the inventory activities at each commissary, including the actual count of all items in each commissary on a monthly basis, the comparison of the physical inventory count with the IFCOM "on hand count" at the time the physical inventory count was undertaken, the reconciliation of any discrepancies, any adjustments for damaged inventory, and approval by the Commissary Manager of the adjusted inventory balance.

Inventory Operations

DOC's Financial Services Division, through its CCU, has responsibility for maintaining an adequate supply of inventory at each commissary through the procurement or transfer of commissary merchandise. The commissaries receive goods daily directly from the vendors. It is the responsibility of each Commissary Manager to keep track of the merchandise inventory, accept deliveries of goods, enter deliveries in the IFCOM system, conduct monthly inventory counts, and print and maintain daily and monthly reports.

The facility's Commanding Officer must conduct a monthly physical inventory for the commissary on the last business day of each month. The commissaries must provide notification (within one day) to the CCU that the physical inventory was conducted. A copy of all monthly physical inventory documents must be signed by the facility's Commanding Officer and be received within three business days by the Assistant Commissioner for the Financial Services Division. According to the Commissary Operation Financial Report, in Fiscal Year 2017, the 11 commissaries had inventory expenses totaling \$9,147,697. Two of the 11 commissaries, AMKC (the Anna M. Kross Center) and EMTC (the Eric M. Taylor Center), both located on Rikers Island, had the highest inventory expenses, totaling \$1,831,602 and \$1,236,703 respectively, that year.

Objective

The objective of this audit was to determine whether DOC is maintaining adequate controls over commissary operations.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This audit covered the period of July 1, 2015 through March 28, 2018. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted

Discussion of Audit Results

The findings in this report were discussed with DOC officials during and at the conclusion of this audit. A preliminary draft report was sent to DOC and was discussed at an exit conference held on September 6, 2018. On September 21, 2018, we submitted a draft report to DOC officials with a request for comments. We received a written response from DOC on October 5, 2018. In its response, DOC generally agreed with four recommendations, either expressly or by describing steps it has taken or will take to implement them, and in effect rejected the fifth recommendation—to use its bar code scanners to track commissary inventory—by stating that it planned to outsource commissary operations in the future and thereby eliminate its need to manage the inventory of commissary merchandise. Inasmuch as DOC's existing directive requires it to use bar code scanners for such merchandise, and because any planned outsourcing will take time to complete, we continue to recommend that DOC implement the recommendation for as long as it continues to operate the commissaries.

The full text of DOC's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

Overall, we found that DOC's commissaries are providing the intended services for the inmates but that the controls need to be strengthened to prevent duplicate payments and waste, and to ensure proper accounting for inventory. We found, that despite having segregated duties for the procurement of items, monitoring of inventory levels, receipt of merchandise, commissary transactions, and commissary inventory, DOC made duplicate payments for a number of purchases, which remained undetected until they were discovered through our audit. We found that the Financial Services Division made payments to vendors based on copies of invoices submitted directly by the vendors, which were not supported by the required original invoices and packing slips with the required "merchandise certification" signed by the relevant commissary officer signifying that the goods were received. When those original, certified invoices and packing slips were separately forwarded internally from the commissaries to the Financial Services Division, the charges were paid a second time. As a result, DOC made duplicate payments to 16 vendors totaling \$109,701 because the agency did not follow New York City Comptroller's Directive #11 and DOC's Directive # 1501R-A, both of which stipulate that payment should be made only on the required original invoice bearing the proper approval signatures.

In addition, we noted minor discrepancies between the actual inventory found at two commissaries and the inventory reported on the IFCOM system. Specifically, during our inventory count at the AMKC and EMTC commissaries, we found that 4,173 (1.3 percent) of the 328,515 items listed in IFCOM as on hand could not be accounted for. The 4,173 unaccounted-for items had a total value of \$4,619, representing 2.6 percent of the total value of the inventory listed in IFCOM for the two facilities, which was \$178,983. We also found that 3,192 items were present at the two facilities, but not recorded in IFCOM, which increases the risk of undetected waste and/or theft of items purchased for the commissary. The 3,192 items had a total value of \$3,778 representing 2.1 percent of the \$178,983 total value of the reported inventory.

Duplicate Payments to Vendors

DOC officials processed payments that were not supported by required original invoices bearing a signed "merchandise certification" stamp, which is supposed to signify that the merchandise was received. Instead, DOC paid the invoice charges based on copies of the invoices they received directly from the vendors. As a result, DOC made 177 duplicate payments to 16 vendors totaling \$109,701 from July 1, 2015 through March 3, 2018 out of total payments of approximately \$66 million under object code 1100-food and forage supplies and object code 1320-expenditures relative to commissaries. The 16 vendors did not return any of the 177 duplicate payments prior to our calling the issue to DOC's attention.

In discussing the duplicate payments with us, DOC officials stated that the commissaries were not providing the Financial Services Division with the original signed, certified invoices confirming receipt of the merchandise in time to enable Financial Services to process the payments promptly in accordance with the City's Procurement Policy Board Rules and avoid interest charges. Therefore, the Financial Services Division processed the payments based on copies of invoices it obtained directly from the vendors. When the Financial Services Division separately received the corresponding original invoices with the requisite signed "merchandise certification" stamps, its staff in many instances issued another payment.

New York City Comptroller's Directive #11 states, "Payments should be made only when supported by original invoices bearing the proper signature approvals. Statements of account

must not be accepted for payment processing.” In accord with that rule, DOC’s Directive # 1501R-A states, “It is the responsibility of the facility’s Commanding Officer, through the Deputy Warden for Administration, to ensure that all receiving documents are submitted to Financial Services: attention: Payment Unit, within twenty-four (24) hours of the receipt of commissary merchandise.” In that regard, DOC’s cited directive stipulates that the documents that must be submitted by facility commissaries consist of, “the original of the delivery ticket, invoice, or packing slip [which] must be stamped and signed by the receiver. The receiver must clearly print the stock number, the quantity of commissary merchandise received by selling unit, the quantity of merchandise received by delivery unit, date and time received, and clearly affix a legible signature with shield or identification number to the delivery document.”

This weakness in DOC’s payment control process—a failure to adhere to applicable directives—has allowed duplicate payments to be made to vendors. DOC officials agreed with our findings that duplicate payments had been issued to vendors, and DOC has begun to contact the vendors to recoup the double payments. DOC provided us an email from one vendor indicating the vendor agreed that \$28,435 in duplicate payments were received and agreed to apply the overpayments to future payment requests.

Inaccurate Inventory Records

DOC’s inventory records for 2 of 11 commissaries contained discrepancies between the quantities of items listed and the quantities we found on hand through physical counts. On November 30, 2017, we accompanied DOC commissary personnel as they conducted the monthly physical inventory counts at two commissaries—AMKC and EMTC. We verified the count of each item reported on the inventory list and found that in AMKC, the inventory records in IFCOM showed a total of 152,909 inventory items with a total value of \$81,040, but the count revealed a gross discrepancy of 2,965 items. In EMTC, the inventory records in IFCOM showed a total of 175,606 inventory items with a total value of \$97,943, but the count revealed a gross discrepancy of 4,440 items. Table I, which follows, summarizes the shortages and the overages that we found through the physical count at each commissary.

Table I

Shortages and Overages in Actual
Count of AMKC & EMTC
Commissary Inventory and the
Amounts and Dollar Values of the
Discrepancies

Inventory Totals By Commissary			Understated		Overstated		Gross Discrepancy	
Commissary	Total Inventory Items as Per DOC's Records	Total Value of Inventory	Number of Inventory Items	Dollar Value	Number of Inventory Items	Dollar Value	Number of Inventory Items	Dollar Value
AMKC	152,909	\$81,040	2,136	\$2,731	829	\$871	2,965	\$3,602
EMTC	175,606	\$97,943	1,056	\$1,047	3,344	\$3,748	4,440	\$4,795

In the monthly inventory report package for the month ending November 30, 2017, the AMKC and EMTC Commissary Managers provided the *Physical Count Adjustment Report*, which indicated that the above-described variances were caused by items identified as damaged, defective, wrong quantity sold, wrong quantity delivered, wrong code entered or having been lost or stolen. However, documentation of the reported causes of the variances were not attached to the Physical Count Adjustment or otherwise maintained in DOC's inventory records. For example, a small variance between the inventory records and the physical count of potato chips at the EMTC was attributed in the Physical Count Adjustment Report to a wrong code's having been entered for the items, but no documentation to verify that statement was attached to the report.

The DOC Inventory Control Policy and Procedure Manual, §1.4.7.3, requires that all variances between the actual inventory count and the IFCOM inventory records that are discovered during a physical inventory count must be recorded, investigated, and reported to the facilities' Commanding Officers. Although the procedure is silent on whether supporting documentation should be required, in the absence of such documentation DOC lacks the information it would need to verify the accuracy of the reason provided for the variance, which could in turn allow waste, theft, or abuse to go undetected.

Furthermore, it appears that the frequency of data entry errors could be reduced if the bar code scanners were used to enter information regarding inventory items as prescribed by DOC's directive. DOC officials stated that the staff at the commissaries do not use the scanners because it was quicker to enter an item's stock code in IFCOM by hand than by using a scanner. However, DOC Directive #1501R states, "Bar codes may be scanned by IFCOM to electronically inform IFCOM of the stock number. Physical inventory, merchandise receipts, and sales are to be accomplished by employing bar codes. Scanning of bar codes is the required method of entering item information into the IFCOM system." [Emphasis added.]

Recommendations

To address the above-described issues, we make the following five recommendations, specifically, that DOC officials ensure that:

1. The full \$109,701 in duplicate payments is recouped from the vendors that received them.

DOC Response: "The Department acknowledges that duplicate payments were processed and has initiated a recoupment process. Credits were received from the majority of the vendors involved. The department will continue its efforts in recouping the remainder."

2. The original invoices and packing slips with the required "merchandise certification" stamps and signatures are submitted to Financial Services within 24 hours of the receipt of commissary merchandise, as prescribed by DOC's existing directive.

DOC Response: "The Department will reissue the existing Commissary Directive and instruct facility Commanding Officers to make sure that this process is adhered to. The Financial Services Division will monitor this process and notify Senior Level Management on facility non-compliance."

3. Payments are made only after the original invoices and packaging slips with the required "merchandise certification" stamps signed by the correction officers responsible for receiving the merchandise are received.

DOC Response: "The Department agrees with this recommendation."

4. All discrepancies in the inventory are properly investigated. The findings of the investigation must be documented in writing and reported to the appropriate management-level official(s).

DOC Response: "Facility commissaries are responsible for performing a monthly inventory on the last sales day of each month. Once completed, the inventory is reviewed by the facility's Commanding Officer then forwarded to the Central Office Commissary Operations Unit for review. As per the Directive, all discrepancies are immediately investigated which includes dispatching members of the Central Office Commissary Unit to the facility to perform a recount. All discrepancies are reported to the appropriate parties based on the guidelines outlined in the Directive."

Auditor Comment: At the exit conference, DOC officials, including the Director of Internal Audit and the Assistant Commissioner for Financial Management and Budget Administration, who oversees the Central Office Commissary Unit informed us that the Central Office Commissary Unit was unaware of the discrepancies found during the inventory counts conducted jointly by the auditors and DOC commissary staff. That lack of awareness indicates that the discrepancies uncovered in inventory counts are not always accurately reported to the Central Office Commissary Unit, a necessary step before the discrepancies can be properly investigated. Therefore, we reiterate our recommendation that DOC officials ensure that all discrepancies in the inventory are properly investigated and that the findings of the investigation are documented in writing and reported to the appropriate management-level official(s).

5. Bar code scanners are used when the commissary staff processes inmate sales, enters received goods, and conducts physical inventory counts to minimize data entry errors and to provide a more accurate accounting of sales and inventory.

DOC Response: "The Department plans to release an RFP to outsource commissary operations within the next year, which will eliminate the Department's need to manage inventory of merchandise."

Auditor Comment: This recommendation calls for DOC to follow its *existing* directive by using, rather than bypassing, its bar code scanners to track its inventory. Until such time as DOC completes its planned outsourcing of commissary operations, the agency should, at a minimum, follow all applicable rules in managing the commissaries and their merchandise. Moreover, as noted above, DOC has already agreed to adopt other commissary-related recommendations conveyed in this report; its demurral on this particular recommendation, on the ground that it plans to get out of the commissary business, is therefore inconsistent. We continue to recommend that DOC implement this recommendation for as long as it continues to operate the commissaries.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit covered the period of July 1, 2015 through March 28, 2018.

We met with DOC officials to obtain an understanding of DOC's commissary operations, we interviewed officials from both Financial Services Division and the Central Commissary Unit. We reviewed DOC's Directive # 1501R Commissary Procedures, Directive # 2305 Inventory Control Policy & Procedure, and Central Office of Procurement Standard Operating Procedures. We also reviewed the IFCOM user manual to gain an understanding of the system's various functions, processes, and reporting capabilities. Upon our request, DOC submitted to us the Commissary Operations Financial Report, Monthly Commissary Report Physical Inventory, Stock Status Report, Commissary Sales Summary Report, and the Inventory Receipts Report. We reviewed New York City Comptroller's Directive #11, Cash Accountability and Control and New York City's Chart of Accounts, which defines what type of expenses should be categorized under each object code.

To determine whether policies and procedures were being followed and to assess the internal controls over commissary operations, we judgmentally selected two commissaries, AMKC and EMTC, since these commissaries had the highest inventory expense totaling \$328,493 for the month of October 2017, reported in the Commissary Operations Financial Report. We conducted walkthroughs and interviewed commissary personnel at both of the commissaries. We also conducted observations of the commissary operations. Specifically, we observed the inmates being escorted into the commissary area, handing over their ID cards, and placing their orders with the commissary personnel. We observed the commissary clerks pulling the ordered merchandise from the inventory and the Commissary Officers entering the purchases in the IFCOM computer terminals and charging the inmates' accounts. We also saw that the goods were turned over to the inmates, along with their printed receipts of their purchases. The inmates also signed the commissary sales log which indicates the date, facility, inmate's name, book and identification number and the total amount of their purchase.

To test for the commissaries' compliance with DOC inventory procedures, and to determine whether the on-hand inventory agreed with the IFCOM inventory records, we observed the monthly inventory counts on November 30, 2017 at AMKC and EMTC. We accompanied DOC commissary personnel as they conducted the physical inventory count, and we verified their count of each item in inventory. We also observed when the DOC commissary personnel entered the actual inventory amounts in the IFCOM system in the Physical Inventory Reconciliation screen. Once the inventory amounts were entered the Captain went into the IFCOM system and verified that the inventory amounts entered were correct and made any adjustments that were required. Once the Captain completed the verification of the inventory the Physical Count Report, Physical Count Adjustment Report, Commissary Sales Summary Report and the Stock Status Report were printed. Subsequently, we obtained all the reports related to the inventory count.

To determine whether inventory items were delivered and received at both commissaries selected, AMKC and EMTC, we obtained from FMS the Expense Accounting Detail Listing - Payment Request Report for Fiscal Year 2017. We selected payments during the month of October and November because our inventory count was on November 30, 2017. We randomly selected six vendors and requested from DOC the payment files of the six vendors. We examined the files to determine whether the files contained original invoices with the merchandise certification stamp for the purchases made. During that review we identified that payments were made using copies of invoices for six vendors. We also found the items were paid for a second time when the original invoice was received. We expanded the review to include all the payments made to all the vendors from July 1, 2015 to March 5, 2018. We identified a total of 16 vendors with duplicate payments recorded in FMS totaling \$109,701 for the period mentioned above. We requested the files for the vendors that had duplicate payments, and we reviewed the invoices, receiving reports, Outstanding Purchase Order Report and the Inventory Receipts Reports.

From: Phillips, Kevin [mailto:Kevin.Phillips@doc.nyc.gov]
Sent: Friday, October 5, 2018 5:04 PM
To: Vasquez, Yadira <yvasque@comptroller.nyc.gov>
Cc: Welgrin, Lawrence <lwelgri@comptroller.nyc.gov>; Taggart, Kayla <ktaggar@comptroller.nyc.gov>; Antonelli, Joseph <Joseph.Antonelli@doc.nyc.gov>; Bailey, Letitia <Letitia.Bailey@doc.nyc.gov>; Feeney, Patricia <Patricia.Feeney@doc.nyc.gov>
Subject: RE: Response to Draft Report

Good day Yadira:

Attached is the agency's response to the Controls over Commissary Operation draft report.

Kevin

Kevin Phillips

Director of Internal Audit

New York City Department of Correction

Email address: kevin.phillips@doc.nyc.gov

Work: 718-546-0647 | Fax: 718-278-6421

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RESPONSES TO COMPTROLLERS AUDIT RECOMMENDATIONS

Recommendation 1: The full \$ 109,701 in duplicate payments is recouped from the vendors that received them.

Response: The Department acknowledges that duplicate payments were processed and has initiated a recoupment process. Credits were received from the majority of the vendors involved. The department will continue its efforts in recouping the remainder.

Recommendation 2: The original invoices and packing slips with the required “merchandise certification” stamps and signatures are submitted to Financial Services within 24 hours of the receipt of commissary merchandise, as prescribed by DOC’s existing directive.

Response: The Department will reissue the existing Commissary Directive and instruct facility Commanding Officers to make sure that this process is adhered to. The Financial Services Division will monitor this process and notify Senior Level Management on facility non-compliance.

Recommendation 3: Payments are made only after the original invoices and packaging slips with the required “merchandise certification” stamps signed by the correction officers responsible for receiving the merchandise are received.

Response: The Department agrees with this recommendation.

Recommendation 4: All discrepancies in the inventory are properly investigated. The findings of the investigation must be documented in writing and reported to the appropriate management level official(s).

Response: Facility commissaries are responsible for performing a monthly inventory on the last sales day of each month. Once completed, the inventory is reviewed by the facility’s Commanding Officer then forwarded to the Central Office Commissary Operations Unit for review. As per the Directive, all discrepancies are immediately investigated which includes dispatching members of the Central Office Commissary Unit to the facility to perform a recount. All discrepancies are reported to the appropriate parties based on the guidelines outlined in the Directive.

Recommendation 5: Bar code scanners are used when the commissary staff process inmate sales, enters received goods, and conducts physical inventory counts to minimize data entry errors and to provide a more accurate accounting of sales and inventory.

Response: The Department plans to release an RFP to outsource commissary operations within the next year, which will eliminate the Department's need to manage inventory of merchandise.