

Travis County Sheriff's Office Contract with Keefe Commissary Network, LLC

2014 Risk Assessment and Findings

TRAVIS COUNTY AUDITOR'S OFFICE
Risk Evaluation & Consulting Division

November 5, 2014

TRAVIS COUNTY
AUDITOR'S OFFICE

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Travis County Sheriff

From: Nicki Riley, CPA
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Date: November 5, 2014

Subject: Travis County Contract with Keefe Commissary Network, LLC

The Risk Evaluation & Consulting Division (REC) of the Travis County Auditor's Office has completed a risk assessment for the Travis County Sheriff's Office (TCSO) Contract with Keefe Commissary Network (KCN), LLC for management of the TCSO Commissary and selected inmate banking functions. The objective of this risk assessment was to assist TCSO in identifying potential risks or exposures associated with their business processes as it pertains to this contract and the provided services, allowing them to implement or adjust internal controls as they deem necessary.

We began by performing an engagement-level inherent risk assessment focusing on the identification and rating of risks that are intrinsic to relevant TCSO activities and business processes, as well as considering the impact of internal controls implemented by management to mitigate these risks. As such, the reported risks represent potential exposures and existing problems. In addition, we are providing a preliminary judgment on how well management is addressing these risks.

A summary of our methods and results comprises the first 12 pages of the report, and the remainder of the report provides the details of our risk assessment, including the identified business processes, inherent risks, controls implemented by TCSO management, the inherent risk ratings for each of TCSO's functional areas, and specific areas of concerns.

BACKGROUND

The Travis County Sheriff's Office manages inmate-related funds for those incarcerated in the county jail, including three interrelated areas: Inmate Trust Accounts; Inmate Welfare Funds; and Commissary. Inmate Trust Accounts are funds held in trust for those in custody, with any balances returned upon release. The Commissary sells a variety of products to inmates with profits going to the Inmate Welfare Fund, which can be used to pay for inmate programs and activities.

When an individual is booked in the Travis County Corrections System, any funds in their possession are deposited into a trust account in their name. In addition, their family members and acquaintances may send funds to the Sheriff's Office to be posted to the inmates' accounts. These funds may be used to reimburse the County

for certain medical and damage-related expenses and can also be used to make purchases from the Jail Commissary.

The Texas Local Government Code Section 351.0415 gives a sheriff the authority to create and manage a commissary for the benefit of county inmates. The jail commissary offers food, beverages, health and hygiene supplies, and recreational items for inmates to purchase with funds from their inmate trust accounts. Although destitute inmates cannot make purchases from the commissary, state law obligates the Sheriff to provide writing materials and hygiene products to these inmates without charge.

During October 2013, the Sheriff contracted with Keefe Commissary Network, LLC to operate and manage the commissary, which was previously managed by TCSO staff. Keefe Commissary Network, LLC is part of the Keefe Group which, through its affiliates, Keefe Supply, Keefe Commissary Network, Crawford Supply, Access Catalog, Access SecurePak, Access Corrections, IC Solutions and Advanced Technologies Group, is a provider of automated commissary management services and related technologies to city, county and state correctional facilities nationwide.

SCOPE

This risk assessment covered selected financial operations for the Commissary and inmate banking; it was limited to those business processes that were in place from the Keefe go live date of October 23, 2013 to the month ending July 31, 2014. In addition, the Travis County Sheriff's Office asked that we review the following specific areas of this contract and the work performed (and any others that we deemed appropriate):

1. The Inmate Banking and Deposit System.
2. Tiburon to Keefe Commissary Network, LLC application interfaces.
3. Reconciliation process for commissions and reimbursements.
4. Internal controls over the automated commissary system.

In this review, only the inherent risks were rated, and there were limited tests of controls and transactions. In the course of performing the risk assessment, a number of issues came to our attention that provided evidence that certain controls were either not in place or were not functioning properly. These items are documented in the Areas of Concern and Findings section of this report, starting on page 31.

LEGAL AUTHORITY FOR RISK ASSESSMENT

The following portions of the contract with Keefe Commissary Network, LLC allow for access to their records and give the County audit authority:

Contract Item # 4.8 County Access to Records

“Keefe shall give the Sheriff and the authorized County representatives, full reasonable access to and the right to make periodic checks to test the accuracy of Keefe’s reporting system as provided by law and to make any random checks deemed appropriate by the Sheriff and/or the Travis County Auditor to examine all information in its possession, including all books, records, accounts, reports, and files, in both electronic and paper formats, belonging to or in use by Keefe pertaining to this agreement at reasonable times and for reasonable periods. Keefe shall cooperate with the Sheriff to alter financial

reporting if laws or regulations governing jail operations change. These rights to access shall continue as long as these records are retained by Keefe.”

Contract Item # 4.9 County Audit of Records

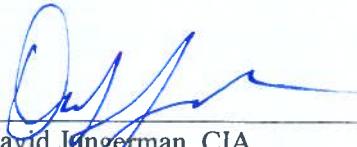
“The Sheriff and the County Auditor may conduct financial and compliance audits of the Keefe performance of this agreement at any time that the County Auditor determines that it is necessary. Keefe shall permit the Sheriff, the County Auditor, or their authorized representatives, to audit Keefe's records that relate to this agreement and to obtain copies of any document, materials, or information necessary to facilitate these audits at the Sheriff's expense.”

ENGAGEMENT TEAM

Enrique Barroso, CIA, CISA, Lead Auditor
John Gomez, Staff Auditor

CLOSING

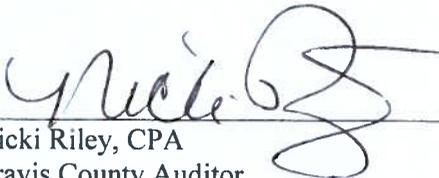
This report is intended solely for the information and use of TCSO and Auditor’s Office management. We greatly appreciate the cooperation and assistance received from management and staff during this risk assessment. Please contact our office if you have any questions or concerns regarding this report.



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Chief Assistant County Auditor I – Risk Evaluation &
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REPORT DISTRIBUTION

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Introduction to the Risk Assessment Report Format

What is risk assessment?

Risk assessment is a systematic process of evaluating the potential negative outcomes, such as financial loss, that may occur in a business process.

How does the risk assessment process work?

The risk assessment process includes three steps: data gathering; business process, risk and control identification; and risk rating. In data gathering, we collect information about the functional area under review to gain an understanding of its objectives, operations, and processes. We then identified what processes are in place, the inherent risks for each processes, and the internal controls implemented by management. The last step is to rate the identified risks by evaluating them and assigning risk ratings to the business processes handled by the functional areas under review.

How are the risk ratings on the risk profiles calculated?

The risks associated with each business process can be described and valued based on impact and likelihood. Impact evaluates the magnitude or effect resulting from a breakdown in the process and/or controls, whereas likelihood is used to evaluate the probability that the event will occur. The components of likelihood include geographic dispersion, complexity of operations, training and documentation, access to high-risk assets, state of automation, abuse of power potential, and management oversight. The components of impact include volume/dollar value/operational significance, media attention, government regulation, and damage to customers or third parties.

In order to obtain a risk rating for these business processes, we assign a numeric value to each of the above components. Likelihood is graded on a 1 to 5 scale from very remote to probable, while impact is graded on a 1 to 5 scale from very light to very severe. These values are then averaged for both likelihood and impact, and these resulting averages are plotted on the Inherent Risk Matrix to determine the risk rating for the individual business process.

How is this report used by the Auditor's Office?

We use risk assessments to allocate audit resources, prioritizing areas of greatest risk.

How can this report be used by County management?

This report is intended to help management focus their efforts on mitigating the highest risk areas. This includes the distribution of personnel, implementation of internal controls, and allocation of budget resources.

TABLE OF CONTENTS

Executive Summary - Findings	2
Executive Summary - Risk Assessment.....	3
Purpose.....	3
Methodology.....	3
High Risk Areas.....	4
Detailed Report	5
Risk Assessment Process	6
Data Gathering	6
Identification of Business Processes, Risks, and Controls	7
Rate Inherent Risks.....	8
Figure 1 – Risk Profile by Business Process	9
TCSO Organizational Charts	10
Centric Group Organizational Chart Including Keefe Commissary Network	12
Business Process Risk Profile and Findings.....	13
Contract Design.....	23
Contract Management.....	24
Project Implementation.....	25
Commissary	26
Inmate Banking and Deposit Services	27
SecurePak.....	28
Financial Services	29
Information Technology Services.....	30
AREAS OF CONCERN AND FINDINGS.....	31
Project Implementation and Management.....	31
County Revenue Sharing.....	33
Commissary.....	34
Contract Design and Contract Management	35
SecurePak	38
Reporting and Reconciliation	40
Tiburon and Keefe Commissary Network Application Interfaces	42
Inmate Banking and Deposit Services.....	44

EXECUTIVE SUMMARY – FINDINGS

During our risk assessment, we noted a number of areas of concern in regards to the controls and processes in place in the functional areas under review. Some of these areas of concern significantly increase the risks associated with Commissary and Inmate Banking processes at TCSO. These items are presented in summary here and in detail starting on page 31.

Program Implementation and Management

We noted a number of project management and implementation issues including stakeholder needs and action items not being addressed and documented properly. This has resulted in a dysfunctional working relationship among the stakeholders, particularly between TCSO Fiscal and project management. The action items, requests, and requirements of TCSO Fiscal are consistently not being addressed, damaging internal controls and the ability of Fiscal to properly account for inmate and commissary funds.

Recommendation: We recommend a review of this project by an outside party, such as an experienced project manager from ITS. This review should focus on ways to improve communication and efficiency and to address TCSO Fiscal's needs and concerns. We also recommend seeking assistance from HRMD's mediation specialists to help address the deteriorating relationship between Fiscal and project management.

Limits on Revenue Streams

The KCN contract limits TCSO's ability to obtain new revenue streams when KCN expands the services it provides. Most of the new functions and services that KCN could implement do not involve the purchase of commissary goods, so TCSO would not receive a share of the revenues from these services. However, TCSO is likely to incur some of the costs of maintaining or administering these new functions.

Recommendation: We recommend amending the contract with Keefe as soon as possible to ensure that TCSO receives fair and equitable shares of revenues collected by Keefe for any new services added.

Contract Design Issues

We noted a number of other issues related to contract design. Specifically, we were concerned with the resolution of technical issues and service requests, the review and acceptance of contract milestones, and the process for expanding services.

Recommendation: We recommend that TCSO ask for an independent review of this contract by personnel from the County Attorney's Office and the Purchasing Office that have not previously contributed to the contract. This review should focus on areas where TCSO's interests and needs are not being met and where TCSO is bearing an inappropriate amount of risk in the contractual relationship. Suggested improvements from this review should be added to the contract through negotiated amendments.

SecurePak

The SecurePak function, which is not addressed in the KCN contract, allows inmates to circumvent paying for their medical and damage costs and to exceed maximum weekly delivery limits. In addition, inmates' friends and families have been billed for SecurePak orders at amounts significantly higher than approved commissary rates. Inmates have also received SecurePak orders that were significantly short of what their friends and family ordered - such as receiving a single sheet of paper when an entire pad of paper was purchased. Given these issues and the significant fees charged by KCN to inmates' families and friends for this service, the potential for negative media scrutiny on the SecurePak function is high.

Recommendation: We recommend discontinuing the SecurePak program.

EXECUTIVE SUMMARY – RISK ASSESSMENT

PURPOSE

During fiscal year 2013, REC began the process of transitioning to the risk-based method of internal auditing. Under this approach, audit resources are directed toward the higher risk areas first. To determine which County offices/functional areas/processes pose the greatest risk to the County, risk assessments are performed. The two types of risk assessments are as follows:

Enterprise Risk Assessment (ERA)

This type of risk assessment is performed annually and involves identifying, rating and ranking risks at the enterprise or County level. The risk assessment is performed at a higher level both in terms of risk rating thresholds and level of detail. The results of this assessment are used to create the audit plan which is the schedule of internal audit engagements to be performed during the upcoming year. The audit plan is used to prioritize the utilization of audit resources.

Audit/Engagement Risk Assessment (ARA)

Risk assessments performed at the engagement level delve into greater detail than ERAs, as they address the risks associated with the processes and activities handled by the County office or functional area under review. This type of risk assessment requires the internal auditor to gain an understanding of the entity's business objectives, flow of operations, financial processes, inherent risks, and the system of internal control implemented by management. During an ARA, there are three types of risks identified, evaluated and rated as follows:

- **Inherent risk** – The risk to an organization in the absence of any actions management might take to alter either the risk's probability or impact. In other words, the risks intrinsic to the entity's objectives if no internal controls are implemented.
- **Control risk** – The risk that management controls are not efficiently designed or effectively implemented, preventing the organization from meeting its objectives and protecting its assets.
- **Residual risk** – The risk that remains after management has responded to the risk by implementing controls.

To properly implement risk-based auditing, REC will be performing engagement-level risk assessments of all of the Travis County offices. For the majority of these offices, we will only be rating the inherent risks during the initial risk assessment. The audit plan will then be tailored to address the higher risk areas first. Going forward, we will periodically update the ARAs and accordingly adjust the audit plan. This is the first risk assessment for TCSO Contract with Keefe Commissary Network.

METHODOLOGY

The risk assessment process was performed in three phases: data gathering; business process, risk and control identification; and risk rating. Brief overviews of the phases are provided below:

- **Data Gathering** - Collect sufficient information about the functional area under review to gain an understanding of its business objectives, flow of operations, and financial processes.
- **Identification of business process, risks and controls** - Determine what processes are in place, the inherent risks for the processes, and the internal controls implemented by management to mitigate the risks.

- **Rate inherent risks** - Evaluate the inherent risks and assign risk ratings to the business processes handled by the functional areas under review.

More information about the ARA process is provided in the detailed report section.

HIGH RISK AREAS

We rated the risks inherent to the business processes under review on a five-level scale from very low to very high. These risk ratings are provided in detail in the Functional Area Risk Profiles, which begin on page 13 of this report.

BUSINESS PROCESSES

To provide visibility into the business processes which pose the greatest risk to TCSO’s Commissary and Inmate Banking functions, we calculated the average risk rating for each business process. A summary of the average risk ratings for the business processes is presented in graph form on page nine of this report. The top business processes in terms of inherent risk are provided below:

<u>Business Process</u>	<u>Risk Rating</u>
SecurePak	High
Project Implementation	High
Commissary Order Processing	High
Inmate Banking and Deposit Services	High

DETAILED REPORT

RISK ASSESSMENT PROCESS

We performed an engagement-level risk assessment of the inherent risks associated with TCSO's Commissary operations and the related financial functions in three phases – data gathering; identifying business processes, risks and controls; and rating inherent risks.

DATA GATHERING

In order to perform an accurate and thorough risk assessment, the first step is becoming familiar with the nature of the entity's business activities and the service provider (KCN) as they pertain to the Sheriff's Commissary. To begin this process, we requested the following documents and information from TCSO:

1. Organizational charts
2. Budget submission forms (PB-3s) which provide program goals, statutorily required/mandated services, discretionary services, funding sources, anticipated reductions in revenues and grant resources, performance measures, historical trends, program efficiencies/outcomes, and proposed reallocations of budget.
3. The Travis County Commissary Management Services Agreement including:
 - Attachment A, Hardware Specifications
 - Attachment B, Statement of Work, Installation of Travis County Commissary Network System
 - Attachment C, Keefe Commissary Kiosk Location Breakdown
 - Attachment D, KCN Real Time Interface – General Guidelines
 - Attachment E, Contractor – Titus Quote
 - Attachment F, Initial Project Management and Communication
 - Attachment G, Keefe Approved Menu
 - Attachment H, Receipt Sample, and
 - Attachment I, Contract with Keefe Commissary Network, LLC for Travis County Government Network Security including:
 - Attachment A, General Provisions
 - Attachment B, Non-Disclosure and Confidentiality Agreement for Documents Comprising the IT Security Requirements
4. Bid Proposals for the outsourcing of the TCSO Commissary function.
5. Fee schedules.
6. Policies and procedures.
7. A list of contacts for KCN and any detailed public information concerning this service provider which included their web page (<http://www.keefegroup.com>) and published audit reports and contracts from other governmental entities with KCN as well as any public news items.
8. Email communications and any supporting documentation pertaining to the outsourcing and implementation of the Commissary function.

9. TCSO web page for Inmate and Jail Information (<https://www.tcssheriff.org>).

In addition, in an earlier communication, we received a Payment Card Industry Data Security Standard (PCI DSS) Self-Assessment Questionnaire (SAQ) D and Attestation of Compliance Report dated January 17, 2014 from the Centric Group, which is the parent group of KCN.

Before meeting with TCSO employees, we reviewed the above documentation, prior audit reports, Texas statutes pertaining to the Commissary and Criminal Information Systems Databases, various narratives, Commissioner's Court Agendas, Backup Support and Minutes and the CAFR.

At the entrance conference, we were provided copies of various issues concerning reporting and reconciliations, as well as a verbal overview of the status and progression of the implementation of the outsourcing of the Commissary. In addition, we discussed some of the oversight methods that have been employed to stay informed about TCSO operations and the current Commissary system. We were also provided with insight into some of the regulatory and statutory requirements that impact TCSO Commissary.

We subsequently held meetings with management, staff, and KCN personnel representing each of the functional areas to discuss their operations and business processes. After these meetings, we documented their flow of operations and business processes, following up with staff as needed.

IDENTIFICATION OF BUSINESS PROCESSES, RISKS, AND CONTROLS

After completing the process flow documentation, we analyzed the information gathered for each functional area and identified the following: the auditable business processes, potential risks inherent to these processes, and the controls implemented by management to mitigate the risks. We documented the results of this analysis on the Functional Area Risk Profiles provided later in this report. Additional details about the information reported on the risk profile schedules are provided below. We also noted any exceptions, findings and issues that came to our attention.

BUSINESS PROCESSES

A business process can be defined as a group of interrelated activities or tasks that are initiated to accomplish a specific organizational goal. In the context of a risk assessment performed by REC, business processes include the basic activities used to support financial operations, for example: cash handling, accounts payable, contract management, etc. The following business processes were identified for TCSO's contract with KCN:

- Information Technology Services
- Commissary Order Processing
- Contract Design
- Contract Management
- Project Implementation
- Inmate Banking and Deposit Services
- Financial Services
- SecurePak

POTENTIAL RISKS

To identify the potential risks that could prevent TCSO from achieving their financial and operational objectives, we reviewed the individual steps of their business processes with a focus on what could go wrong or what has

gone wrong that would result in either the failure to meet objectives or in a loss of County funds. We consulted auditing standards and guidance for internal and governmental auditors, as well as industry-accepted technical guidance for risk assessment as needed.

Inherent risks are those risks that exist regardless of any actions management might take to alter either the risk's probability or impact. Because management control is not a factor in determining the level of inherent risk, a high degree of inherent risk does not indicate poor management or the absence of controls.

REPORTED RISK MANAGEMENT TECHNIQUES/CONTROLS

Risk management techniques and controls were self-reported by TCSO management during the course of interviews and follow-up communications. Although we reviewed their controls for reasonableness, we have not audited or otherwise validated them through audit procedures. After risk management techniques were identified, they were mapped to the risks they were designed to mitigate.

RATE INHERENT RISKS

PROCESS RISK RATING

We evaluated the business processes and the associated risks for each functional area, rating the risks based on the risk factors of impact and likelihood. Impact evaluates the magnitude or effect resulting from a breakdown in the process and/or controls, whereas likelihood is used to evaluate the probability that the event will occur. We used the following risk factors to evaluate impact and likelihood:

IMPACT

- Volume/dollar value/operational significance
- Media attention
- Government regulation
- Damage to customers or third parties

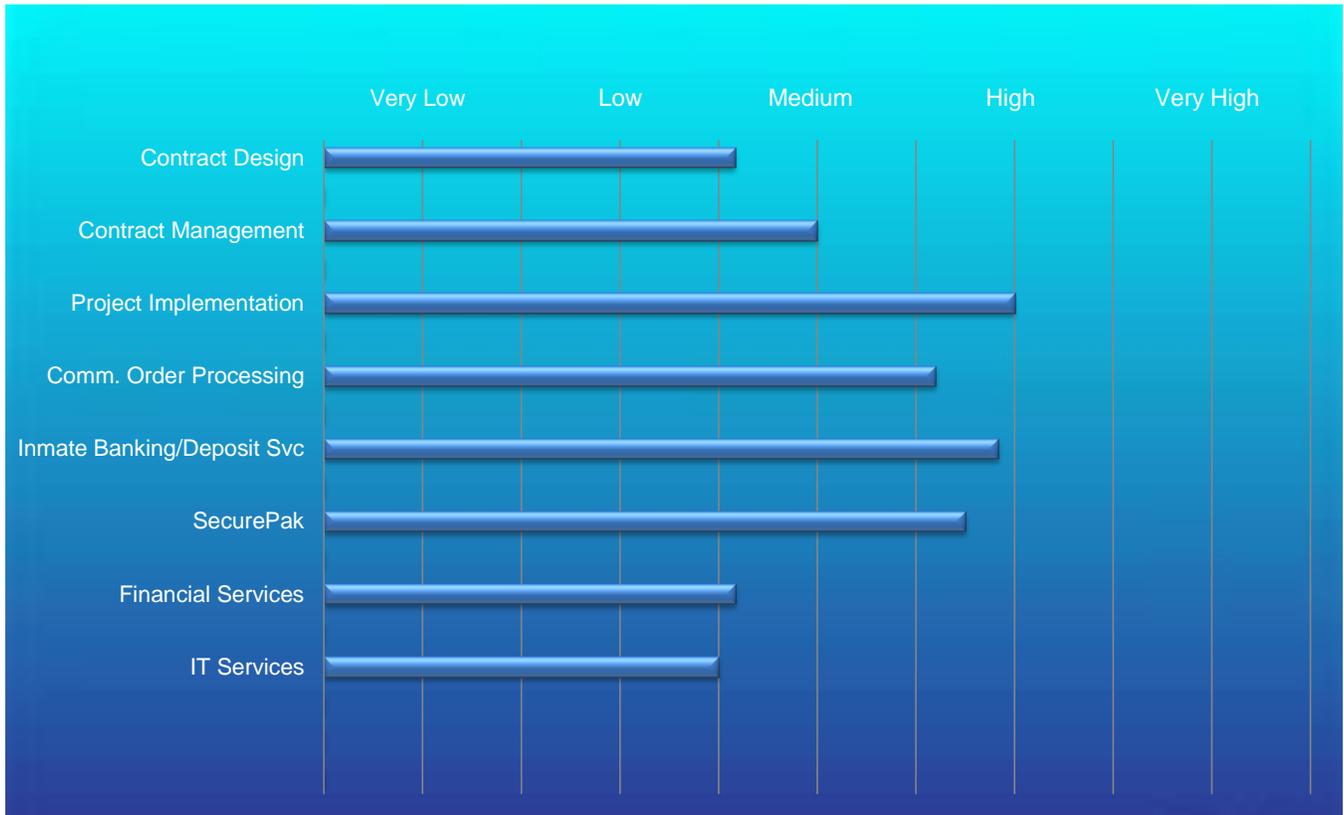
LIKELIHOOD

- Geographic dispersion
- Complexity of operations
- Training and documentation
- Access to high-risk assets
- State of automation
- Abuse of power risk
- Management oversight

Adjustments were made based on auditor judgment and other factors as was deemed appropriate.

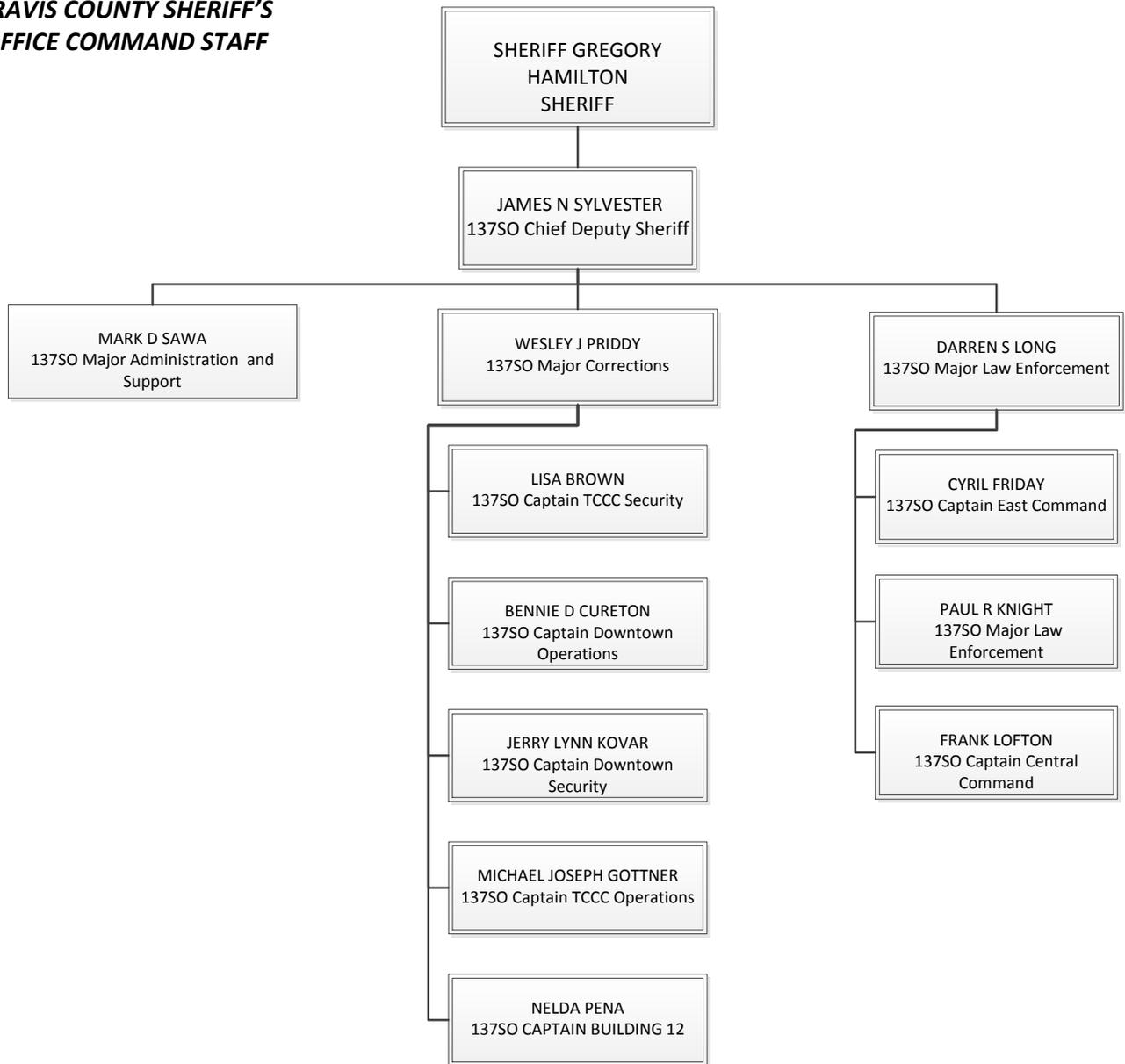
FIGURE 1 – RISK PROFILE BY BUSINESS PROCESS

To provide visibility into the business processes which pose the greatest risk to TCSO Commissary, we calculated the average risk rating for the business processes related to this contract and provided the risk results in graph form below:



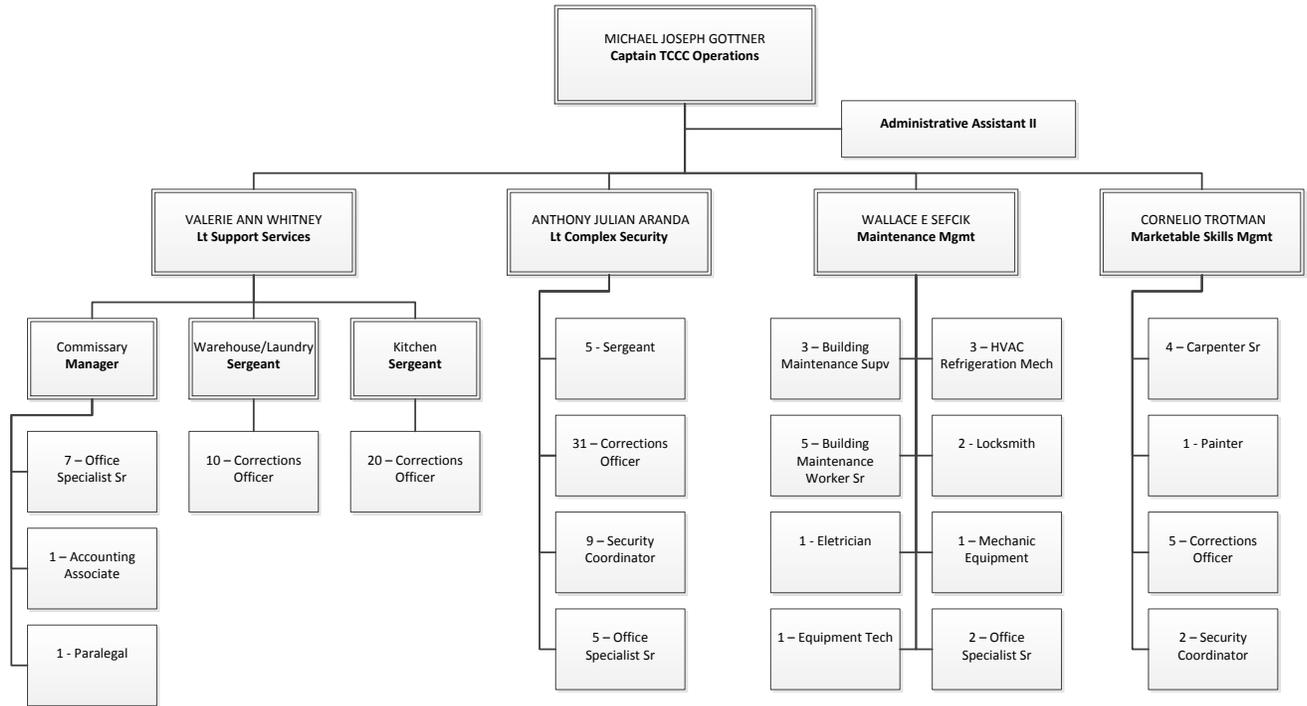
TCSO ORGANIZATIONAL CHART

TRAVIS COUNTY SHERIFF'S OFFICE COMMAND STAFF

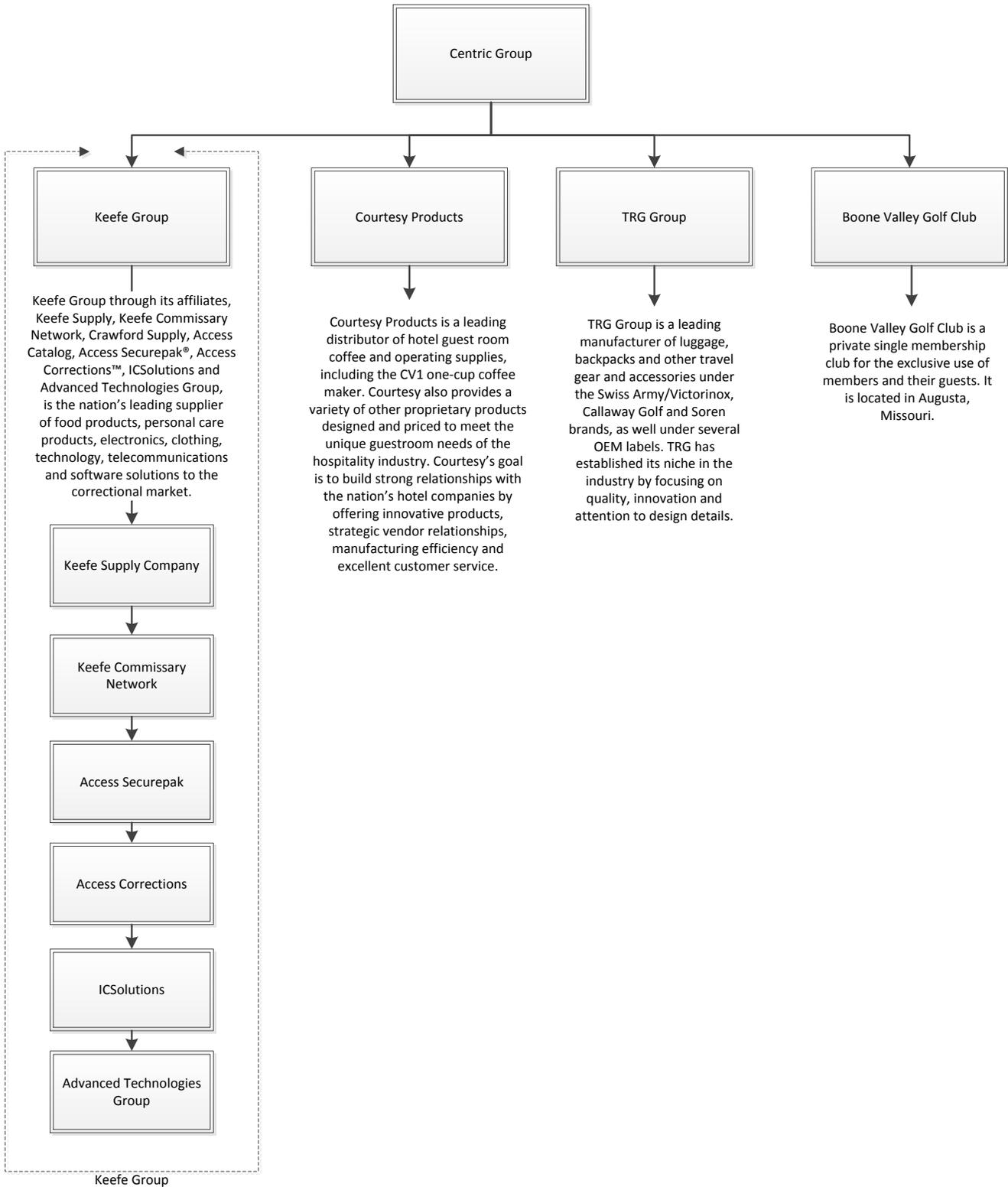


TRAVIS COUNTY CORRECTIONAL COMPLEX ORGANIZATIONAL CHART

**Travis County Sheriff's Office
TCCC Operations including Commissary**



CENTRIC GROUP ORGANIZATIONAL CHART INCLUDING KEEFE COMMISSARY NETWORK



BUSINESS PROCESS DESCRIPTIONS AND PROFILES

BUSINESS PROCESS DESCRIPTIONS

CONTRACT DESIGN

The contract in question is between the Sheriff of Travis County, Texas and Keefe Commissary Network, LLC. The Sheriff issued a Request for Proposal Number P120105-BF (RFP) to obtain proposals from qualified firms for the management of the commissary, and KCN was selected to provide these services. KCN proposed the use of an automated system for ordering, deposit of funds and other aspects of the operation of the commissary in the ongoing operation of the system.

In order to comply with this agreement, KCN was required to install equipment, customize programming, and train employees. Once complete, KCN began its management and operation of the commissary. This contract provides for the installation of equipment needed to operate an electronic system to be used to manage the commissary for Travis County, as well as the terms and conditions for commissions and reimbursements, installation of systems, commissary management services, expansion of services and resolution of conflicts.

SIGNIFICANT ACTIVITIES

This contract establishes the terms and parameters by which two or more parties agree to perform a certain activity or service by or during a specified date or term. The following are the significant activities listed in this contract:

SIGNIFICANT ARTICLES OF THE CONTRACT

AGREEMENT

- 1.0** General Definitions
- 2.0** Term of Agreement
- 3.0** Contractor General Performance of Services
- 4.0** Commissions and Reimbursements

INSTALLATION OF COMMISSARY, DEPOSIT AND ACCOUNTING SYSTEMS

- 5.0** Project Management
- 6.0** Keefe's Responsibilities
- 7.0** Sheriff's Responsibilities

TRANSITION TO KEEFE

- 8.0** Keefe Responsibilities
- 9.0** Sheriff's Responsibilities

COMMISSARY MANAGEMENT SERVICES

- 10.0** Keefe Responsibilities
- 11.0** Sheriff's Responsibilities

EXPANSION OF SERVICES

- 12.1** Options for Additional Modules
- 12.6** Additional Deposit Methods

CONTRACT MANAGEMENT

Contract management includes ensuring compliance with contract terms and conditions, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk.

SIGNIFICANT ACTIVITIES

BUDGET ADMINISTRATION - Coordinate and assist in developing TCSO’s annual budget submission and presentation as well as perform ongoing budget-related monitoring, maintenance, and preparation of adjustments/transfers during the fiscal year.

FINANCIAL ACCOUNTING, ANALYSIS AND REPORTING - Provide technical analysis, assessment, and recommendations regarding the financial aspects of TCSO programs, contracts, funds utilization, revenue and expenditure trends, and forecasting. Also includes developing business process improvements to reduce costs of goods and services.

BUSINESS PROCESSES AND CONTROLS - Review, assess, and implement efficient and productive financial structures and processes which are in accordance with all applicable guidelines and standards, and consistent with prudent and accepted internal control practices.

AUDITS - Assist with the preparation and coordination of activities/tasks pertaining to audits and reviews performed by the County Auditor’s Office, and other independent parties; write management responses for review findings and audit comments.

AGENDA ITEMS - Coordinate and disseminate information within TCSO, and to other Travis County offices, in order to facilitate the placement of fiscal-impacting TCSO items on the Commissioners’ Court Agenda.

PURCHASING - Procure supplies, equipment, and services for TCSO in accordance with the County Purchasing Act. Process requests for payment for all invoices received from the vendors for the payment of goods and services.

PROJECT IMPLEMENTATION

Project management is the process and activity of planning, organizing, motivating, and controlling resources, procedures and protocols to achieve specific goals. In this case, the project implementation was the outsourcing of the commissary function with KCN. The primary challenge of project implementation is to achieve all of the project goals and objectives while working within the preconceived constraints. Listed below are the significant activities as addressed per the contract which should serve as the primary objectives of implementation:

SIGNIFICANT ACTIVITIES

- Installation of Commissary, Deposit and Accounting Systems
- Transition to Keefe
- Commissary Management Services
- Expansion of Services
- General Contract Provisions

COMMISSARY ORDER PROCESSING

The Sheriff's Office Commissary provides products to jail inmates which are paid for with the inmates' trust funds. These products include selected food items, writing utensils, toiletries, and clothing. Indigent inmates can obtain selected products without a charge. The profits from the Commissary are used to purchase selected products and services for the inmates, such as sporting equipment or to improve the Commissary itself. Keefe implemented the KeepTrak™ Commissary Program.

SIGNIFICANT ACTIVITIES

FLEXIBLE ORDER COLLECTION – Includes kiosk, phone, scan, counter sales, cart sales and vending. Restrictions are managed consistently across all methods of order collection.

DYNAMIC RESTRICTIONS PROCESSING - Provides for restrictions by privilege level; progressive discipline; quantity and frequency of purchase by product, category and spending amount; and coordination of inmate spending with Access SecurePak family purchase programs.

FULL DISCLOSURE ON DELIVERY RECEIPTS – Denied item information is stored in the system and printed on delivery receipts to streamline and add transparency to the delivery process.

INTEGRATED BILLING – Used to link the sales and refund activities at the facility to the KCN invoice and credit process which allows for timely bill payment.

INTEGRATED WAREHOUSE FULFILLMENT – Allows commissary orders to be processed directly to the correctional agency fulfillment center for preparation and delivery.

INMATE BANKING AND DEPOSIT SERVICES

Deposit Services allow an inmate's family and friends to deposit funds into his/her account via phone, the internet or at a lobby kiosk. Because of this, facility staff should no longer be handling cash or money orders, and transactions should be more secure and better documented.

SIGNIFICANT ACTIVITIES

INMATE ACCOUNTING – Provides entry of all transactions related to the inmate's financial history including deposits, withdrawals, purchases, refunds, debts, holds, payroll, savings, closeouts, transfers and abandoned funds.

CASH MANAGEMENT WORKFLOW - Provides and enforces control over the movement of cash and equivalents from the facility to the bank. The workflow automatically completes all required ledger transactions based on authorized checkpoints in the process of moving cash from booking, visitation, and the mail room, moving it to release, the vault, or the bank.

BANK RECONCILIATION – Matches bank transactions to bank statement totals, allowing users to enter bank statement data, clear and void transactions and print reconciliation reports. It can also link to the bank for positive pay and automated bank transactions.

VISUAL GENERAL LEDGER – Provides a ledger of original entry, an accounts payable journal and a report generator that allows users to setup a chart of accounts, create transactions and utilize a full range of context-sensitive reports such as a trial balance and transaction history.

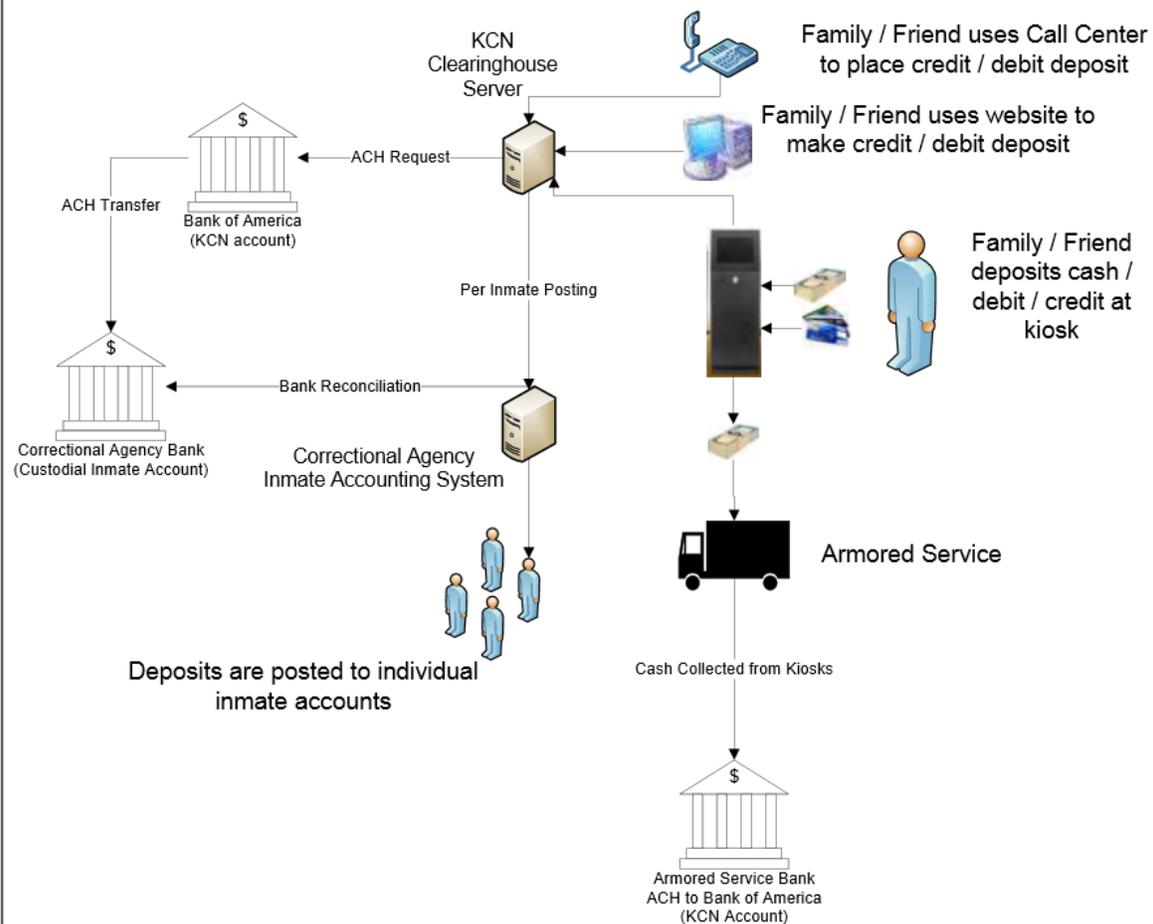
BUSINESS PROCESS RISK PROFILES AND DESCRIPTIONS

INMATE PROPERTY – Provides the ability to inventory inmate property, locate property in a variety of container types, assign property for use while incarcerated, release property, and dispose of property.

REAL TIME FINANCIAL INTERFACES - Provides direct debit interfaces to phone calling systems and online vending systems, automated deposit and disbursement capabilities including web, kiosk, phone deposits and MasterCard logo debit card disbursement.

Please refer to the KCN – Secure Deposit Flowchart on the next page for an illustration of this service.

KCN – Secure Deposit Flowchart



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SECUREPAK

SecurePak is an application that allows family and friends of inmates in the Travis County Correctional Complex (TCCC) or the Travis County Jail (TCJ) to order and pay on-line (<http://traviscountypackages.com>) for commissary goods that are packaged in a secure warehouse and then delivered to the inmate.

SIGNIFICANT ACTIVITIES

PROCESSES ORDERS – Family and friends of the inmate may place orders, either online, by phone, or with pre-printed forms. Online ordering is available 24 hours a day, 7 days a week. The proprietary software processes orders and enforces product restrictions and quantity limits.

ENFORCES LIMITS – Enforces spending, weight, order frequency and inmate status limits per facility regulations.

REPORTS – Produces detailed and customized reports, including inmate order history and shipment dates.

ELIMINATES CONTRABAND – Orders are packaged at Keefe’s secured warehouse. Boxes are sealed with a pre-printed, tamper evident tape to ensure the security of the packages. All employees undergo an extensive screening process and background check.

FINANCIAL SERVICES

Employees of the Sheriff’s Office Fiscal Department work at several locations: the Keith G. Ruiz Finance Office, the Travis County Correctional Complex (TCCC) Finance Office, TCCC Supply Office and the TCCC warehouse. TCSO Fiscal is responsible for the supervision, coordination and administration of major financial affairs including: accounting, budgeting, financial reporting, fleet, fixed assets and purchasing. Their primary function is to maintain departmental financial accountability to ensure internal financial controls for efficiency, accuracy and compliance.

RUIZ FINANCE

The Ruiz Finance Office is responsible for receiving and processing the deposit of collections from Central Booking, Central Records, Central Warrants, and the Sheriff’s Office Estray Unit. In addition, this office posts all money orders received on inmate accounts and prepares monthly departmental financial statements for the nine discretionary accounts maintained by the Sheriff’s Office. The Ruiz Office is also responsible for processing payments for a variety of services, including communications, inmate medical services, and travel; as well as preparing invoices for inter-local agreements, elections and overtime billing. The Ruiz Finance Office also manages a number of programs and databases, including the fixed asset and fleet databases, the Attorney Surety Bond program, and the residential and business alarm permit program. Finally, the Ruiz Finance Office is responsible for the reporting and reconciliation of commissary sales and all related duties.

TCCC FINANCE

The TCCC Finance Office serves both the Corrections and Law Enforcement Bureaus to ensure that financial resources are available for these areas to adequately and effectively function with overall efficiency. The TCCC Finance Office oversees capital projects, the procurement process of goods and services, and ensures compliance with county purchasing policies (Chapter 262 Texas Local Govt Code) and federal and state laws. TCCC Finance also ensures the ethical compliance of various funds including: general fund, grants, capital allocated reserves,

BUSINESS PROCESS RISK PROFILES

certificate of obligations and Sheriff's Office discretionary funds. While monitoring an estimated \$132 million annual budget, along with various grants and discretionary funds, TCCC Finance provides a supporting role in seeking the best quality, lowest priced goods and services to meet the needs of the county. TCCC Finance also maintains a payment window that accepts cash, money orders and checks for inmate's commissary accounts.

SIGNIFICANT ACTIVITIES

BUDGET ADMINISTRATION – Coordinate and assist in developing TCSO annual budget submissions and presentations, as well as perform ongoing budget-related monitoring, maintenance, and preparation of adjustments/transfers during the fiscal year.

FINANCIAL ACCOUNTING, ANALYSIS AND REPORTING – Provide technical analysis, assessment, and recommendations regarding the financial aspects of TCSO programs, contracts, funds utilization, revenue and expenditure trends, and forecasting. In addition, process accounts payable and accounts receivable as well as develop business process improvements to reduce costs of goods and services.

GRANT MANAGEMENT – Coordinate and facilitate TCSO grant revenue certifications, ongoing grant-related budget preparation, budget monitoring, accounting, adherence to reporting requirements and fiscal grants management throughout grant life cycle.

CONTRACT MANAGEMENT – Monitor and assist with structuring financial terms for contracts, assist with the contract renewal and procurement process, and assist with the coordination of Commissioner's Court contract-related actions.

BUSINESS PROCESSES AND CONTROLS – Review, assess and implement efficient and productive financial structures and processes which are in accordance with all applicable guidelines and standards, and consistent with prudent and accepted internal control practices.

AUDITS – Assist with the preparation and coordination of activities/tasks pertaining to audits and reviews performed by grantor agencies, the County Auditor's Office, and other independent parties. Write management responses for review findings and audit comments.

AGENDA ITEMS - Assist with the distribution of information within TCSO, and to other Travis County offices, in order to facilitate the placement of fiscal-related TCSO items on the Commissioners' Court Agenda.

PURCHASING – Procure supplies, equipment, and services for TCSO in accordance with the County Purchasing Act. Process requests for payment for all invoices received from the vendor for the payment of goods and services.

INFORMATION TECHNOLOGY SERVICES

CENTRAL RECORDS

The Central Records Section is responsible for providing incident reports, accident reports and background checks to law enforcement, criminal justice agencies and the Texas Department of Public Safety (DPS) for uniform crime reporting. In addition, the Central Records Section staffs the main lobby of the Keith G. Ruiz building and answers all incoming calls for the Sheriff's office.

BUSINESS PROCESS RISK PROFILES

CENTRAL WARRANTS

The Central Warrants section is responsible for the timely entry of all warrants and protective orders received. These are entered into a local warrant system maintained by the Sheriff's office, as well as a state and national database. Before a warrant arrest, the staff must physically verify the warrant or protective order to ensure it is still on file and active. The warrant section operates 24 hours, seven days a week.

TECHNICAL SERVICES

Data and Technical Services is responsible for supporting over 2,000 users of computer software systems for troubleshooting, ensuring the integrity and correction of data and repairing over 650 computers, laptops and printers. The Sheriff's Office software systems consist of those used for incident and accident reports, jail booking and photographs, pharmacy and medical records, state and federal connections and several other programs used by staff. Other duties include providing technical consultation, training and research for projects, maintaining various reports and interfaces.

CRIMINAL JUSTICE INFORMATION SYSTEM

This section is responsible for ensuring compliance with statutorily-required arrest reporting to DPS for all charges processed by the Travis County Central Booking Facility. Criminal Justice Information System (CJIS) staff is responsible for error resolution to ensure accuracy for updating information as status changes occur. CJIS also researches identity issues in local criminal databases. This section also specializes in misuse of identity cases where a person arrested assumes the identity of another person at the time of the arrest.

STATE COORDINATORS SECTION

This section is responsible for the coordination of receiving and preparing penitentiary packets. The packets consist of documents for persons sentenced and transferred to the Texas Department of Criminal Justice and State Jail Divisions. This section also monitors persons in custody for parole warrants beginning with the execution of the arrest warrant to ensuring they are released or transferred in compliance with state law. This section also handles processing fugitives from justice as well as extradition coordination of the fugitive based on waivers prepared or Governor's Warrants.

SIGNIFICANT ACTIVITIES

RESEARCH AND EVALUATION – Research, analyze, and evaluate information/programs, as well as report statistics to TCSO, the State and other entities.

SYSTEM SUPPORT SERVICES – Evaluate, plan, support, and liaise with the County Information Technology Services Department (ITS) as well as outside agencies to ensure all computer and network needs are addressed, including project planning and implementation as well as software implementation.

DATA MANAGEMENT – Provide evaluation, project planning, program development, and support services. Laisse with TCSO staff, grantors, vendors, and other agencies to ensure that all TCSO data is maintained according to statute, state and federal reporting standards.

DATA PROTECTION – Data protection and loss prevention is the monitoring, protecting and verifying the security of data at rest, in motion and in use.

CRIMINAL JUSTICE INFORMATION – Criminal Justice Information is used to refer to all of the FBI's CJIS-provided data used by law enforcement and civil agencies to perform their missions, including Biometric (fingerprints, iris scans, and facial recognition) data, Identity History data, Biographic data, Property data, and Case History data.

BUSINESS PROCESS RISK PROFILES

SYSTEMS SECURITY – Management of IT Risk for the TCSO, implementation of standard security solutions and application functionality.

INCIDENT MANAGEMENT – Coordinating and assisting in actions to handle, respond to, or manage an incident involving County business assets including County Information Assets and IT Resources. It is intended to intervene and overcome or reduce the impact of the incident on County business.

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risks	Reported Risk Management Techniques	Process Risk Rating
Contract Design	The Sheriff’s Office contracts with a vendor that is not the best fit for contract terms, price and/or performance. The County could incur a variety of extra costs due to this.	1. Policies and procedures are in place for selecting new professional service providers through the bidding process. 2. Policies and procedures are in place for evaluating service providers before renewing or extending their contracts.	Medium
	Contract is worded vaguely, allowing for the expansion of services without specific performance, potentially costing the County revenues and/or the ability to properly oversee the new services.	The gatekeeper/point of contact is the only authorized employee to approve services and products from service provider.	
	While expansion of modules, products and services are at the discretion of the Sheriff, the contract does not address the operational implications of implementing these items. This could result in additional costs or losses.	The gatekeeper/point of contact is the only authorized employee to approve services and products from service provider.	
	The contract does not address new revenue sources or streams for the Sheriff’s Office when services are expanded.	None.	
	Additional costs or other losses may be incurred due to issues with the contract, including obtuse language, confusing organization, references to Attachments that are not included, etc.	None.	
	A service provider’s poor performance goes uncorrected due to vaguely worded contract terms.	The contract requires written, detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	The contract does not address the resolution of issues or service requests to the satisfaction of the Sheriff’s Office.	KCN provided five levels of support for escalation of services.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risk	Reported Risk Management Techniques	Process Risk Rating
Contract Management	Fraud, errors, or misuse of contracted professional services occurs, resulting in a loss to the Sheriff’s Office.	The gatekeeper/point of contact is the only authorized employee to approve service and products from the service provider.	Medium
	A service provider’s poor performance may go uncorrected due to inadequate monitoring.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Service requests and other concerns may not be resolved to the satisfaction of the Sheriff’s Office.	None.	
	The current organizational structure and financial flows between the Sheriff’s various divisions do not lend themselves to adequate fiduciary and operational oversight.	None.	
	There is a lack of adequate supervision and internal controls at the various levels within the divisions responsible for the administration of and accounting for contracted services.	None.	
	The current organizational structure fosters an adversarial relationship between Project Management and Implementation, the Fiscal Division, and Commissary Operations. This can result in a variety of additional costs and other losses.	None.	
	Invoices that contain pricing errors or charges for services not rendered are paid, resulting in a loss for the Sheriff’s Office.	TCSO Fiscal tracks services received and verifies invoice accuracy.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risks	Reported Risk Management Techniques	Process Risk Rating
Project Implementation	Contract is worded vaguely which does not allow for specific performance to the satisfaction of all Sheriff’s Office stakeholders.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	High
	Project may not be completed in compliance with the contract.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Professional Services Contractor could perform unnecessary work outside the scope of the contract, resulting in a loss of funds to the Sheriff.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Project is not properly tested before “Go-Live”, resulting in errors or losses of County or inmate funds.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	There is no management authorization prior to implementation of a new project/product, resulting in erroneous or un-approved transactions or additional costs to the County for system modifications.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Performance reporting is not accurate and/or in agreement with supporting documentation.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Written documentation of items like “Acceptance of Milestones” is not maintained, limiting accountability.	None.	
	Internal communication within all stakeholders does not occur or is inadequate, resulting in requirements not being met or internal controls not being implemented.	Official biweekly meetings were held.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risks	Reported Risk Management Techniques	Process Risk Rating
Commissary Order Processing	An inmate receives a commissary order despite failing to meet requirements (i.e.: having sufficient funds on hand, no holds on the account, etc.).	Policies and procedures are in place to ensure that the inmate has available funds in commissary account and has no disciplinary hold.	High
	Commissary orders are incorrect, resulting in increases costs due to replacement orders, refunds, complaints, etc.	During delivery, each inmate opens and inspects his or her order, returning the entire order if it is not correct.	
	Items, quantities and prices do not agree to the Keefe menu.	None.	
	An inmate may manipulate the commissary process by only receiving via SecurePak to avoid paying for medical expenses or damage charges.	Policies and procedures are in place to ensure that the inmate has available funds in commissary account and has no disciplinary hold.	
	Inmate pays for commissary but is released from custody prior to receiving it. This can increase costs as orders must be re-stocked and refunds must be issued to the inmate.	Policies and procedures are in place to return commissary goods and to refund moneys to the inmate.	
	Contractor's poor performance goes uncorrected due to inadequate monitoring.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Fraud, errors or misuse of contracted professional service may occur, resulting in a loss of funds for the Sheriff's Office.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risk	Reported Risk Management Techniques	Process Risk Rating
Inmate Banking/Deposit Services	<p>1. A security breach that could expose County data to theft or manipulation might not be sufficiently resolved by KCN to prevent a recurrence.</p> <p>2. KCN might not properly inform TCSO of a breach of this type.</p>	None.	High
	<p>During system testing, test transactions could be posted to the production environment alongside real transactions, potentially invalidating the test or causing test transactions to be confused with live data.</p>	None.	
	<p>During system testing, a non-statistical, relatively small sample of test transactions could be used, significantly reducing the usefulness of the test.</p>	None.	
	<p>TCSO could be denied revenue streams for new inmate services added by KCN because the contract does not require fees to be renegotiated when new services are implemented.</p>	None.	
	<p>The Sheriff’s office may be unable to verify fees charged to depositors, preventing TCSO from verifying that the payors are properly charged.</p>	None.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risk	Reported Risk Management Techniques	Process Risk Rating
SecurePak	SecurePak is not specifically addressed in the contract as to testing, operational implementation or revenue streams for the Sheriff's Office, creating a variety of risks for TCSO.	None.	High
	There is potential that an inmate may manipulate the process by receiving all commissary goods via SecurePak, thereby avoiding payment of medical expenses or property damage charges.	Policies and procedures are in place to ensure that the inmate has available funds in commissary account and has no disciplinary hold.	
	SecurePak is independent of commissary limitations of \$100 per week, allowing inmates to receive up to an additional \$100 of goods per week, violating facility rules.	None.	
	SecurePak orders were incorrectly packaged and delivered.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Procedures have not been clearly defined regarding orders filled for inmates no longer at the facility. This could result in the loss of unclaimed packages or refunds payable.	Policies and procedures in place to ensure that jail management limits are ensured.	
	Items on the SecurePak online order menu do not agree to the current listing of items available to facility inmates. Delivery of improper items may create a number of security or inmate management issues.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risk	Reported Risk Management Techniques	Process Risk Rating
Financial Services	Invoices are incorrectly paid, resulting in a loss to the Sheriff’s Office.	The Fiscal Division tracks services received and verifies invoice accuracy.	High
	Commissary sales are not accurately reported and commissions are not accurately calculated, resulting in over or under-recognition of revenues.	The contract requires written detailed reporting of issues and exceptions by the gatekeeper/point of contact.	
	Taxable items or non-taxable items are incorrectly charged or not charged tax, potentially resulting in tax penalties.	The Fiscal Division tracks services received and verifies financial accuracy.	
	TCSO Fiscal is not consulted on financial matters as they pertain to the contract, resulting in errors or losses.	Official biweekly meetings were held.	
	Fiscal is unable to verify fees for the deposit of funds made by depositors as they have no access to this data. This could result in inmate families being charged improper fees by KCN.	None.	
	Financial performance reporting is not accurate and/or in agreement with supporting documentation. Written documentation, such as “Acceptance of Milestones”, is not maintained.	Fiscal management reviews transactions and reports and also maintains a records retention policy.	
	TCSO management and fiscal personnel find financial reports from KCN to be of limited use for reviewing and safeguarding County funds due to issues with the system interface.	None.	
	TCSO management and fiscal find financial information from KCN to be of limited use for reviewing and safeguarding County funds because information from the KCN website is not timely and is lacking in support.	None.	
	Receipt numbers are not in sequential order which does not allow for reconciliations of receipts to verify that all collections are properly deposited.	None.	
	Losses of County funds could occur because the Fiscal Office cannot access the reports, data and information needed to monitor, analyze and reconcile commissary transactions.	None.	

BUSINESS PROCESS RISK PROFILES

Business Process	Potential Risk	Reported Risk Management Techniques	Process Risk Rating
IT Services	The Keefe Interface does not consistently transfer all transactions to the Tiburon system, creating a variety of reconciliation and inmate management issues.	Policies and procedures are in place to identify and correct these items.	Medium
	1. A security breach that could expose County data to theft or manipulation might not be followed up on properly by KCN to prevent a recurrence. 2. KCN might not properly inform TCSO of a breach of this type.	None.	
	During system testing, test transactions could be posted to the production environment alongside real transactions, potentially invalidating the test or causing test transactions to be confused with live data.	None.	
	Commissary system testing plans detailing possible transaction scenarios such as incorrect product delivery or price were tested by KCN, but were not verified by the Sheriff's Office to ensure compliance with TCSO policy.	Policies and procedures are in place to identify and correct these items.	
	Security incidents are not properly reported, preventing a proper, timely response to these issues.	TCSO has an Incident Management Plan.	

INTERNAL CONTROL AREAS OF CONCERN AND FINDINGS

During the course of documenting processes and performing the risk assessment, several items and issues came to our attention that increase the likelihood that potential vulnerabilities and risks could be realized. These issues are detailed below:

1. PROJECT IMPLEMENTATION AND MANAGEMENT

STAKEHOLDERS NEEDS AND ORGANIZATIONAL STRUCTURE:

Findings:

There appears to be friction building and a significant lack of communication between all of the stakeholders for the KCN functions. An example of this condition is the recent re-start of the SecurePak function after SecurePak was closed from April to August of 2014 due to operational and financial issues. It does not appear that TCSO Fiscal, a primary stakeholder, was included in the decision to reactivate this product, nor were many of their financial-related concerns corrected prior to re-start. We believe that issues like this have led to growing frustration in Fiscal with KCN and Project Management.

Background:

When implementing a complex conversion, like the conversion to KCN, project management is particularly important. Project management should include bringing the relevant stakeholders into the process, soliciting their requirements and concerns. At each project milestone, project management should obtain and clearly document the approval of each stakeholder, prior to moving forward.

The friction and lack of communication appear to be caused primarily by the current organizational structure and informational flows between the Sheriff's various divisions, which does not lend itself to adequate fiduciary and operational oversight. Moreover, the current TCSO organizational structure appears to foster an adversarial relationship between Project Management and Implementation, the Fiscal Division, and Commissary Operations.

There appears to be significant friction between the various divisions as each division has a specific function to perform and each division's needs are not being consistently considered or met. In addition, there are unclear lines of authority regarding the implementation of the contract terms for the KCN Commissary Services Agreement. Because of this, product implementation for functions like Inmate Banking and Deposit Services appeared to have been rushed and implementation occurred before proper testing was performed.

ACTION ITEM RESOLUTION:

Findings:

Often, action items related to Keefe systems, particularly those brought forward by TCSO Fiscal, are not resolved. For example, there have been issues since conversion to KCN regarding inmate banking, SecurePak, KCN invoices, and access to KCN reports and data. TCSO fiscal personnel have conveyed these issues to KCN and Project Management on a number of occasions. However, Project Management has not followed through on resolving many of these issues, and many persist a year after conversion.

Background:

The Sheriff's Office held biweekly meetings, primarily via conference calls with KCN personnel, to discuss issues encountered with the implementation of the project. Those issues were noted in the minutes of these meetings, as were the individuals in attendance. The minutes also contained a listing of action items that required some type of response, action, or follow-up in order to resolve a particular issue. According to the minutes, it regularly appeared that action items were subsequently resolved. However, when we requested documentation

AREAS OF CONCERN AND FINDINGS

supporting the resolution of several action items, we noted that a number of these items had not been resolved to the satisfaction of the applicable subject matter experts, even though the minutes reflected that they were. This documentation often contained emails with back and forth discussion between the individuals on the action item, but no actual resolution.

To illustrate, TCSO Fiscal voiced concerns that they were unable to reconcile Keefe sales invoices to sales data from the Tiburon System for October and November of 2013 per an email to KCN dated December 19, 2013. Based on the reconciliation performed by TCSO Fiscal, the Keefe invoices for those months overstated the amount owed to KCN by \$1,745.70. According to Fiscal personnel, there could have been a number of reasons for this discrepancy, and Fiscal attempted to resolve the discrepancy with representatives from KCN's accounting department. Furthermore, as a good faith gesture, Fiscal received authorization to pay these invoices while they continued to review the issue. The minutes of the biweekly meeting from January 10, 2014 make note of this billing issue, but do not adequately document the issue or its resolution.

If the system interface between Tiburon and the Keefe systems was working properly, Keefe invoices should have reconciled to the applicable Tiburon data. If differences existed, a detailed reconciliation should have revealed the individual differences in the data and allowed for Fiscal personnel to determine the source of the differences. In this case, it was not possible to account for or explain the differences between Tiburon and Keefe's data through a reconciliation process, which would suggest that a significant issue with the interface may exist.

Given this concern, the reconciliation issues for these billings were included as items of concern in the minutes of meetings on the following dates: December 3, 2013; January 10, 2014; January 14, 2014; January 29, 2014; and February 27, 2014. Fiscal personnel have stated that this issue still exists as of the August 2014 KCN invoice, and they have repeatedly told the project manager and KCN that this item is still an action item, most recently in emails dated September 9, 2014 and September 19, 2014.

2. COUNTY REVENUE SHARING

REVENUE STREAMS FOR INMATE BANKING:

Findings:

TCSO receives no revenues related to KCN’s handling of inmate banking deposits, while KCN receives fees for all of these transactions.

Background:

Under the KCN contract, TCSO receives revenues based on the sale of commissary goods on a revenue sharing basis. TCSO does not receive a share of revenues collected by KCN on inmate banking transactions. The following chart depicts inmate banking fees KCN charges to depositors for which TCSO does not receive a share:

10.10 Fees for Deposit of Funds Keefe may apply the fees in the following chart to deposits for inmate accounts based on the type of deposit and the gross amount of the deposit:

STANDARD FEE STRUCTURE				
Gross Amount Deposited	Web	Phone	Credit at Lobby	Cash
\$0.01 - \$19.99	\$2.95	\$3.95	\$2.95	\$3.00
\$20.00 - \$99.99	\$5.95	\$6.95	\$5.95	\$3.00
\$100.00- \$199.99	\$7.95	\$8.95	\$7.95	\$3.00
\$200.00 - \$300.00	\$9.95	\$10.95	\$9.95	\$3.00

TCSO does incur costs associated with these inmate deposits obtained by KCN, such as accounting, reconciliation, and systems maintenance costs. In addition, TCSO is the fiduciary holder of these funds and is responsible for properly disbursing them. Therefore, KCN is receiving all of the financial benefit of collecting these funds, while TCSO bears a significant portion of the costs related to those funds.

REVENUE STREAMS FOR EXPANDED SERVICES:

Findings:

The KCN contract does not address additional revenue streams for the Sheriff’s Office when KCN implements new or expanded services; therefore, TCSO will receive no revenues related to these new products.

Background:

Potential new services and products that could be offered by KCN include Access Secure Intake, Access Secure Mail, Access Secure Photo, Access Secure Release, Access to Entertainment, Offender Management Suite, and The Enforcer. These potential new products and services could be implemented by KCN with TCSO’s approval; however, since these products and services do not encompass the purchase of commissary goods, TCSO would not receive a revenue stream for any of them.

With each of the above added services and products, it appears that TCSO would incur some of the costs of maintaining or administering the product or service, but would receive none of the fees charged by KCN. Other KCN contracts that were publically available allowed for additional revenues for the contracting governmental entities based on per diems for inmate population, as well as activity-based revenue sharing for transactions other than commissary purchases. In other words, the contracts for those other entities include revenue streams not allowed by our contract with KCN.

3. COMMISSARY

REVIEW ISSUES NOTED:

We reviewed the commissary sales data for the month of March 2014, noting the following:

1. Two commissary menu items were priced differently at each facility (TCCC and TCJ).
2. Sales taxes were charged to a non-taxable item.
3. Data provided by KCN is not in a readable format, making it difficult to reconcile to the monthly sales report.
4. System order limits are not properly enforced - at least 100 inmates have exceeded the weekly limit of \$100 of commissary per week.
5. Procedures for orders placed by inmates who were subsequently released (ATW) from custody have not been clearly defined. Issues concerning what to do with unclaimed packages and inmate trust account refunds persist.
6. KCN's count of STEPP Packs (indigent inmate supplies) delivered do not reconcile to the Sheriff's Office records.
7. Commissary refunds are posted via KCN to the Tiburon System under transaction code "CSHD", thereby recording the refund as a deposit instead of a payment. Because of this, these refunds must be manually netted out by TCSO Fiscal before they can complete their deposit reconciliation process.
8. Commissary System Testing plans detailing possible transaction scenarios such as incorrect items being delivered or the wrong prices being charged were tested by KCN, but were not verified by the Sheriff's Office.

KIOSK TAMPERING:

During our June 19, 2014 visit to the Travis County Correction Complex in Del Valle, we met with the KCN On-Site Commissary Manager who provided us with a tour of the facilities at which time we noted that one of the Ordering Kiosk had been tampered with. According to the KCN Manager, an inmate was able to "hack" into the kiosk, change the screen saver and get to the Windows Start Menu screen. It is unknown how it occurred and is currently under investigation. At the time, the Kiosk had not been repaired, and the display still showed the Windows Start Menu screen. While the Sheriff's Office has a Security Incident Response Plan, the incident of kiosk tampering was not reported. The Keefe Commissary Manager informed us of this incident during our interview with him.

MANAGER HIRING PRACTICES:

On August 1, 2014, we were provided with email communications regarding the background check process for KCN's new commissary manager. TCSO personnel noted a number of red flags in the background check that appeared to disqualify this person from being hired as the commissary manager. When KCN, who was apparently about to hire this person, was informed of these red flags, they concurred that this party was no longer a viable candidate. KCN also stated that they were surprised their own background check had not disclosed the red flags noted by TCSO.

4. CONTRACT DESIGN AND CONTRACT MANAGEMENT

REVIEW AND ACCEPTANCE OF CONTRACT MILESTONES:

Findings:

TCSO does not have a formal, contractually-compliant milestone review and acceptance process in place for the KCN contract. Overall, the lack of a process of this type has resulted in a number of project implementation issues that required time and personnel resources to correct. Specifically, Attachment B, Task 4 of the contract details many of the accounting/financial milestones related to this project. We found no documentation that this milestone was completed, reviewed and accepted. It is likely that many of the accounting/financial issues that have plagued this project could have been resolved had an efficient milestone process been utilized in completing this task.

Background:

Contract milestones are a necessary requirement of a contract, as they document that all of the stakeholders for a contract section are satisfied that the section is complete and compliant with their needs. Since these items are so critical, the milestone acceptance process should be documented thoroughly to prevent disagreement over accountability and to provide documented acceptance by the appropriate subject matter experts. Because of this, a contract typically specifies how milestones should be communicated and documented.

According to the commissary contract language, the Sheriff was to notify KCN of acceptance or non-acceptance of each milestone in some type of documented writing. The writing was to be either in paper copy or by email, denoting either acceptance or an explanation for non-acceptance. The applicable contract language follows (included are the typographical errors that were in the contract):

7.4 Review of Acceptance Request Within 15 business days after receipt of a request for acceptance, the Sheriff shall review, evaluate, and test the milestone, as needed, for which acceptance is requested. If the milestone meets the requirements related to it, the Sheriff shall notify Keefe's Project Manager in in writing in paper copy or by email that the milestone has been completed satisfactorily and the Sheriff accepts it. If the milestone does not meet the requirements related to it, the Sheriff shall notify Keefe's Project Manager in in writing in paper copy or by email that the milestone is not satisfactory and give an explanation of why it is not satisfactory and what must be done for acceptance. If the Sheriff fails to respond to a request for acceptance within 15 business days after receipt of it, the milestone is deemed accepted.

Instead of officially accepting these items in writing, biweekly conference calls or weekly meetings with representatives from KCN and Travis County were held by the TCSO Project Manager to address milestones. Minutes of these calls and meetings were maintained and provided to us; however, from our review of the minutes, it is not clear that adequate reviews, evaluations, or testing occurred for each section being discussed, or that all stakeholders approved moving forward. It also does not appear that milestones were documented and accepted in the proper, contractually-required format.

EXPANSION OF SERVICES:

The contract is worded vaguely in regards to what additional or expanded services can be implemented by KCN. The contract allows for Expansion of Additional Modules and Services without providing detail as to how the service and/or product will be implemented or the responsibilities for KCN and the Sheriff. Potential services and products that could be offered by KCN include Access Secure Intake, Access Secure Mail, Access Secure Photo, Access Secure Release, Access to Entertainment, Offender Management Suite, and The Enforcer.

AREAS OF CONCERN AND FINDINGS

While the expansion of modules, products and services is at the discretion of the Sheriff, the contract does not address the operational implications of implementing these items. SecurePak was one of these additional products that was implemented that was not addressed in the contract. The operational implications and additional costs to the Sheriff to put this product in place were also not addressed. See the section on SecurePak (page 38) for specific operational issues encountered with SecurePak.

RESOLUTION OF TECHNICAL ISSUES AND SERVICE REQUESTS:

Findings:

The contract does not address the resolution of technical issues or service requests to the satisfaction of the Sheriff's Office. We found that KCN does not consistently or timely address TCSO technical issues, nor is there a clear line of authority determining to whom, how and when these issues are handled.

Background:

Currently, a Keefe Customer Support telephone number (800) 864-5986 is available, but there is no documented process for the flow of service levels or what defines or triggers them to the next escalation level (KCN did provide us with the names of the individuals responsible for the five levels of support.). We also noted that a KCN customer service representative is not available outside of standard business hours. The pertinent contract language follows:

10.13 Software Support Keefe shall provide five levels of support:

- 10.13.1 Contract Services – first line of contact for service requests by phone or email.*
- 10.13.2 Escalation Services – Resolution of complex helpdesk service requirements at a higher level of complexity and urgency escalated by Contact Services when there are more complex service requirements.*
- 10.13.3 Data Center Services – Operations and control of corporate computer systems relating to the Sheriff.*
- 10.13.4 Project Services – Planning and Implementation of software, hardware and network deployments at Sheriff's sites.*
- 10.13.5 Engineering and Development Services – Specification and development of hardware/software solutions for correction commissary environments if sponsored by Keefe regional representatives on behalf of the Sheriff and approved after Keefe corporate review.*
- 10.13.6 Keefe shall notify the Sheriff concerning any changes in procedures for responses to no-scheduled service problems.*

Providing written notice to KCN about poor system, operational, or reporting performance so that they can address these issues is critical to the success of this project. It is also important for TCSO to document KCN's efforts to improve performance and meet TCOS's needs. The responsibility for notifying KCN about system issues, poor performance, and dissatisfaction with system function solely rests with the designated contract manager.

Because communication of these issues and concerns is so important, it is vital there be communication and agreement among the various stakeholders on each issue, and that each issue be clearly documented and communicated to the appropriate levels of TCSO management by the contract manager. However, we have noted

AREAS OF CONCERN AND FINDINGS

a number of instances where written notice detailing each issue of concern was not provided to KCN. In addition, communication to and sign off by the appropriate subject matter experts did not consistently occur. Because of these factors, a number of long-running issues have plagued this project (See Project Implementation and Management on page 31 for examples.).

OTHER CONTRACT ISSUES:

The contract language is ambiguous and unclear in some areas. The following section appears to allow transfers of deposited funds between inmates, a situation that could create operational and security issues for jail management:

10.8.11 Revisions to Deposits Keefe shall coordinate transfers of deposited funds between inmates through the Sheriff and shall handle any refunds directly with the person who deposited the funds.

KCN is currently paying commission for the sale of commissary goods through SecurePak; however, the contract language as we read it appeared unclear on this matter, which begs the question: If a sale occurs online through SecurePak, are those items exempt from commission since it did not occur in a County facility? The specific contract language follows:

4.3 Commission on Commissary Sales Keefe shall pay the Sheriff's Inmate Welfare Fund 24% of the Adjusted Gross Sales resulting from the sale of goods at commissaries in the Facilities during the agreement as commission on those sales, including all years for which the Annual Option is exercised.

There is no Attachment J as part of the contract even though it is mentioned in the contract language below. We were provided with Attachments A through I.

3.1 General Requirement ...copies of which are incorporated as Attachments A, B, C, D, E, F, G, H, I and J. Time is of the essence in this agreement.

There is no Attachment XXX as part of the contract even though it is referenced in Attachment A, Hardware Specifications (below).

...Ability to provide Real-Time integrations with the County banking system and jail management system in compliance with the guidelines in Attachment XXX.

The contract should be reviewed and contract modifications should be made to address these and other noted issues.

5. SECUREPAK

Findings:

There are a number of serious internal control, financial, and operational issues associated with the SecurePak process, and we recommend that the use of this product be terminated.

Background:

As previously stated, SecurePak is an application that allows family and friends of inmates in the Travis County Correctional Complex (TCCC) or the Travis County Jail (TCJ) to order and pay on line for commissary goods that are packaged in a secure warehouse and then delivered to the inmate. SecurePak is not specifically addressed in the contract as to testing, operational implementation, or additional revenues for the Sheriff's Office. KCN charges an additional \$4 processing fee for this service per order, which the family and friends of the inmate pay in addition to the charges for commissary goods.

SecurePak is completely independent of an individual inmate's funds, as family and friends pay for this service. During our review of the SecurePak process, we noted the following:

1. Inmates may receive all commissary goods from the outside, even while on restricted privileges, preventing TCSO from recouping medical or damage charges owed by the inmate.
2. SecurePak is independent of the standard commissary limitation of \$100 per week per inmate. This allows inmates to receive an additional \$100 of goods from SecurePak per week in excess of the standard limit.
3. Items (quantities and unit price) per the SecurePak menu (which is maintained on-line) do not agree to the current menu available to inmates at the Travis County Correctional Complex or the Travis County Jail. A single stick of coffee costs \$7.95 per stick on the SecurePak menu instead of the \$0.30 charged at the Commissary. A single stick of tea costs \$3.95 per stick instead of \$0.25.
4. Deliveries of the SecurePak packages were made to both TCCC and TCJ. Staff at TCJ are not currently trained on the security protocols for the distribution of these packages. All SecurePak packages should be delivered to the TCCC for distribution.
5. SecurePak orders were incorrectly packaged and delivered. For example, when a writing tablet (quantity of one) was ordered, only one sheet of paper was delivered. When four writing tablets were ordered, four sheets of paper were delivered.
6. Quantity limits on individual items can be exceeded using SecurePak. For example, an inmate received 14 sodas total when the limit is seven sodas per order.
7. There were multiple items shorted or added to various SecurePak packages.
8. The description on the SecurePak invoice did not match the product in the package on some occasions.
9. Procedures for orders that have been placed for inmates who were released from custody prior to order delivery have not been clearly defined. Issues concerning what to do about unclaimed packages and refunds still exist.

On April 23, 2014 SecurePak was temporarily discontinued due to several operational problems. On August 11, 2014 the Sheriff's Office received SecurePak marketing materials from Keefe, and Keefe reactivated SecurePak

AREAS OF CONCERN AND FINDINGS

on August 25, 2014. It does not appear that the issues previously reported have been resolved. There is no documentation available demonstrating that the issues above have been tested or resolved.

6. REPORTING AND RECONCILIATION

REPORTING AND DATA ISSUES:

Findings:

Financial information and reports downloaded from the KCN website to Travis County are generally not timely and often lack adequate support and documentation. In addition, some contractually mandated reports to be provided by KCN are not being received, and some reports that have been provided are not accessible by TCSO Fiscal. All of these conditions make it very difficult for Fiscal to review and reconcile this financial data, limiting Fiscal's ability to properly safeguard and account for County and inmate funds.

Background:

There are three elements to these data and reporting issues. First, TCSO Fiscal does not have system access to all of the reports they need to monitor, analyze and reconcile the commissary transactions. Second, when Fiscal is able to access these reports, some of the reports contain such a large volume of unformatted data, that it is difficult to sort it into a readable, usable format. Third, so some of the reports that are to be provided by KCN per the contract have not been provided, including the following:

10.12.1 ODBC access – Crystal reports customized by Keefe at no additional charge until the transition is complete and entire automated system has Gone Live.

10.12.2 Native Workflow Reporting – the following Standard reports:

*Receipts
Account History
Transaction Batch Detail and Summary
Cash Drawer History
Check Research Results
Bank Reconciliation Summary and Detail
General Ledger Reporting
Transaction Label Reporting*

10.12.3 Keefe Report Viewer – the following standard reports included at no additional charge that allow the Sheriff to track accounting specifics:

*Daily summary totals for all inmate deposits
Daily transaction detail for all inmate deposits
Daily ACH summary
Daily ACH transaction detail
Depositor report showing account(s) deposited to and specific information about the deposits
History of an individual account, to include all current archived information
Demographics of a selected account
Detail transaction journal with unique identifier for every transaction*

OTHER REPORT ISSUES:

On the "Keefe Commissary Sales Breakdown from 12/1/13 to 12/31/13 Report", we noted that this report denoted sales and refunds by batches per daily activity; however, there was no detail on actual commissary items ordered or what items were taxed. The report has some transactions that are "posted" but have a \$0.0 total amount, and it

AREAS OF CONCERN AND FINDINGS

also has some transactions that are labeled as "new" but have a \$0.0 total amount. These transactions do not have a batch # assigned to them. Batch numbers are sequential if the transactions are assigned to one; however, some batch numbers are missing, such as batch numbers 131 and 171.

On the "Transaction Detail for Bank Transfer for Batch #404384 on 02/10/2014 for Customer Report", we noted that this report lists the receipt numbers assigned by the KCN system, which appear to be randomly generated and not sequential. Overall, random, non-sequential receipt numbers create a number of internal control issues. Most importantly, the use of these numbers makes it more difficult for TCSO personnel to reconcile each day's transactions. They make it impossible for TCSO to verify that all receipts have been properly deposited because they cannot determine a sequence of receipt numbers issued to verify against.

The "amount" field on this report appears to only contain the amount remitted to TCSO by each depositor, net of fees charged to the depositor. All bank transfer reports should be remitted to TCSO with both the gross and net amount deposited by the outside party into each inmate's accounts. With this information, TCSO would be able to verify that the fees charged to the depositors by KCN are consistent with those allowed by the contract. We also noted that the "source" field on this report listed "K" (Kiosk) as the source for all deposit transactions, even though some transactions received on February 10, 2014 were initiated via the internet and phone lines.

7. TIBURON AND KEEFE COMMISSARY NETWORK APPLICABLE INTERFACES

TRANSACTIONS POSTED DURING SHIFT BALANCING:

During March 24 and 25, 2014, there were issues with the Tiburon Shift Balance (Tiburon daily accounting module) and the commissary purchases processed through the Keefe interface. Specifically, commissary orders were processed while the Tiburon Shift Balance was being closed for the day. This caused discrepancies in the Tiburon Shift Balance and also caused errors in processing on the Keefe application because transactions could not be processed once the Tiburon Shift Balance was successfully closed.

The Tiburon Shift Balance is closed daily by Central Booking staff working the midnight shift. During February of 2014, the Tiburon Shift Balance was closed between 05:26AM and 06:05AM daily. During that month, commissary purchases were posted to Tiburon via the Keefe interface at times ranging from 02:34AM to 08:05AM.

It is critical that commissary purchases not be submitted to Tiburon while the Tiburon Shift Balance is closing or closed. The posting of commissary purchases should occur before or after the Tiburon Shift Balance has been closed and reopened. This can be handled by KCN coordinating posting times with the Central Booking staff to ensure that the Tiburon Shift Balance Closing and Reopening processes are complete.

PROJECT MANAGER ACCESS:

The Project Manager has significant authority over how TCSO and KCN interact and what changes are made to the system. The project manager has been assigned additional IT duties related to the KCN RealTime Interface. These two sets of duties are incompatible and give the Project Manager far-reaching abilities without mitigating controls. We recommend that these IT duties be re-assigned in order to eliminate this internal control weakness.

OTHER ISSUES:

1. Commissary System Testing plans detailing possible transaction scenarios such as incorrect item deliveries or incorrect prices being charged were tested by KCN, but were not verified by the Sheriff's Office.
2. Inmate Banking Testing was performed during November 2013 and February 2014 for a total of 14 transactions using amounts that range from \$0.01 to \$0.26 per transaction. This is not adequate for complete system testing and a more comprehensive testing plan should be developed, performed, and documented before Inmate Banking resumes.
3. As late as May 30, 2014, there appeared to have been transactions that posted to Tiburon that did not post to the Keefe Application. For example, a transaction in the amount of \$22.21 for Booking Number 14-11704 was posted to the Inmate's property screen on Tiburon but not to the Keefe Deposit and Commissary Refund Transaction Report on the Bonnell Server.
4. In the Keefe system, commissary order numbers and deposit/receipt numbers are generated separately and the two sequences of numbers cannot be differentiated from each other. Because of this, the same number may be assigned to a commissary order and a deposit/receipt number, potentially causing reconciliation or other system issues.

AREAS OF CONCERN AND FINDINGS

5. In some instances, inmates with lengthy transaction histories cannot review all of their transactions on the Keefe inmate kiosks. This appears to occur because the kiosk reaches its “timeout limit” before the inmate can view all of their records. This situation could lead to inmates misinterpreting their transaction histories and/or filing complaints about their inmate accounts.

8. INMATE BANKING AND DEPOSIT SERVICES

CENTRIC GROUP SYSTEMS BREACH:

On approximately December 13, 2012, Centric Group, the parent company of Keefe Group learned that its computer system may have been accessed without authorization beginning in August 2010. As of December 21, 2012, based on an internal investigation, Centric Group reasonably believed it had suffered a data breach of its system. The data accessed may have included certain customer information, such as the customer's name, credit or debit card number, expiration date, and card verification code.

As a cautionary measure, Centric Group sent a letter, dated January 9, 2013 to all affected customers directing them to review their credit card statements and to contact their financial institution in the event that they found any unauthorized transactions. Centric Group also moved the payment process for their affected website to an alternate, more secure environment. While this occurred before Travis County went live with Inmate Banking and Deposit Services, the potential impact of a data breach is significant and exposes all entities involved.

In the interest of due diligence on the part of Travis County and fair disclosure by KCN, this issue should have been discussed in the biweekly meetings and a consensus as to the potential vulnerabilities should have been documented as required by the contract for milestones.

CENTRIC GROUP PCI DSS COMPLIANCE AUDIT:

The Payment Card Industry Data Security Standard (PCI DSS) is a method for evaluating the security and compliance of all entities that process, store, or transmit credit cardholder data. The number of transactions handled by these entities determines the level of review each receives in order to evaluate their processes and controls.

For the coming year, it appears that Centric Group will, for the first time, handle sufficient transactions to require an assessment by an independent Qualified Security Assessor performing an annual on-site audit. We strongly recommend that TCSO obtain a copy of this audit when completed and review its contents for potential areas of concern.

DATA DETECTIVE APPLICATION:

The Data Detective application allows the Sheriff's Office to monitor services provided to inmates through Keefe's data mining programs. Currently, this application does not appear to be operating properly. We observed as Fiscal personnel attempted to search for inmates currently incarcerated, and a number of active inmates could not be found. The search results did display a number of inmates from other institutions across the United States, indicating that the database is not properly segregating inmate data. This raises concerns about the privacy and security of TCSO's data in this application.

CENTRIC GROUP SYSTEMS BREACH:

We noted an issue with access to the KCN Deposit Kiosk for Inmate Banking. According to the KCN Commissary Manager, there are three sets of keys available to access the KCN Deposit Kiosk. He is currently in possession of two sets and the party in possession of the third set cannot be verified. Given the security issues involved, the locks for the kiosks should be changed immediately, and new internal controls should be put into place by TCSO and KCN to ensure that all kiosk keys are properly tracked and safeguarded. Only parties with a legitimate need and without conflicting duties should be assigned one of these keys.

AREAS OF CONCERN AND FINDINGS

OTHER ISSUES:

We also noted the following items in regards to inmate banking:

1. KCN was unable to restrict access to deposit services during testing, which occurred in the production environment.
2. KCN does not maintain a test environment for their automated commissary services applications.
3. Some KCN depositors were listed as “Valued Cardholders” on transaction reports, indicating possible use of stored value cards.
4. Sheriff’s Office is unable to verify fees charged by KCN to depositors of inmate funds.
5. There appear to be significant security issues around access to the Keefe Deposit Services Kiosks.