

Audit Report

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**Department of Public Safety and Correctional Services  
Central Region**

May 2015

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

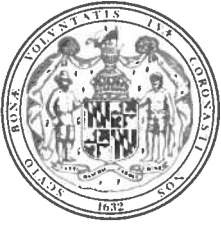
**For further information concerning this report contact:**

**Department of Legislative Services  
Office of Legislative Audits**  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201  
Phone: 410-946-5900 · 301-970-5900  
Toll Free in Maryland: 1-877-486-9964  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [OLASWebmaster@ola.state.md.us](mailto:OLASWebmaster@ola.state.md.us)  
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Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

May 1, 2015

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the following units of the Department of Public Safety and Correctional Services (DPSCS) for the periods noted:


Central Region – July 1, 2012 to June 30, 2014  
Division of Pretrial Detention and Services (DPDS) – April 16, 2010 to  
June 30, 2012

The Central Region consists of the correctional and detention facilities, which are located primarily in Baltimore City, as well as the community supervision offices that oversee offenders serving probation or parole terms in Baltimore City and Baltimore County. This audit included the financial activities of the detention facilities (such as the Baltimore City Detention Center and the Baltimore Central Booking and Intake Center) that were primarily audited as part of DPSCS – DPDS before a departmental reorganization that occurred effective July 1, 2012. The financial activities of the Central Region correctional facilities are included within the scope of the South Region, which became responsible for providing the related services as a result of the reorganization.

Our audit disclosed that the Central Region's records of inmate funds were not fully reconciled with the corresponding State records, and that certain cash receipts were not adequately controlled.

The DPSCS response to this audit, on behalf of the Region, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by the Region.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom J. Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA  
Legislative Auditor

## **Background Information**

### **Agency Responsibilities and Organizational Change**

The Central Region of the Department of Public Safety and Correctional Services (DPSCS) consists of the following correctional facilities (located primarily in Baltimore City) that house sentenced inmates as well as the community supervision offices for offenders serving terms of probation or parole in Baltimore City and Baltimore County:

- Metropolitan Transition Center
- Maryland Reception, Diagnostic and Classification Center
- Baltimore Pre-Release Unit
- Baltimore City Correctional Center
- Central Maryland Correctional Facility

It also includes the three detention facilities in Baltimore City:

- Baltimore City Detention Center
- Baltimore Central Booking and Intake Center
- Chesapeake Detention Facility (formerly known as the Maryland Correctional Adjustment Center)

Effective July 1, 2012, DPSCS completed a departmental reorganization which established three regions within the State (North, Central, and South). The reorganization created a regional approach to providing inmate-related functions, including incarceration, probation, parole, and reentry into society. This report represents the results of our first fiscal compliance audit of the Central Region.

Our audit of the Central Region included the financial activities of the Baltimore City Detention Center (BCDC) and the Baltimore Central Booking and Intake Center (BCBIC), as well as certain activities of the Chesapeake Detention Facility (CDF). The activities of BCDC and BCBIC were previously audited during our audit of the DPSCS – Division of Pretrial Detention and Services, which ceased to exist as a separate budgetary unit due to the reorganization. The activities of CDF were previously audited under the DPSCS – Central Region Finance Office. The Central Region Finance Office activities have since been absorbed by the South Region as a result of the reorganization.

Our audit of the Central Region did not include the financial activities of the correctional facilities located in the Central Region and certain financial activities of CDF (maintenance of inmate fund records and processing federal reimbursement requests). These financial support services are provided to the Central Region by the DPSCS – South Region and are included within the scope of that audit.

According to the State’s records, during fiscal year 2014, the expenditures for BCDC, BCBIC, and CDF totaled \$165 million. In addition, these detention facilities housed 3,440 detainees as of June 30, 2014.

## **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the seven findings contained in our preceding audit report of DPSCS – Division of Pretrial Detention and Services dated April 1, 2011. We determined that the Region satisfactorily addressed these seven findings. As previously mentioned, the activities of BCDC and BCBIC were previously audited during our audit of the DPSCS – Division of Pretrial Detention and Services, which ceased to exist as a separate budgetary unit due to the reorganization.

Our preceding audit report dated August 6, 2012 on DPSCS – Central Region Finance Office included no findings directly related to CDF. As previously mentioned, the activities of CDF (formerly known as the Maryland Correctional Adjustment Center) were previously audited under the DPSCS – Central Region Finance Office.

## **Findings and Recommendations**

### **Inmate Funds**

#### **Finding 1**

**The Central Region had not fully reconciled its inmate fund records with the corresponding records maintained by the Comptroller of Maryland.**

#### **Analysis**

The Central Region had not fully reconciled the aggregate balance of its inmate personal fund accounts for the Baltimore City Detention Center (BCDC) and Baltimore Central Booking and Intake Center (BCBIC), as recorded on its Maryland Offender Banking System (MOBS), with the corresponding records

maintained by the Comptroller of Maryland. As of January 2015, the most recent reconciliation was performed for June 2014 activity and that reconciliation included an unresolved difference. Department of Public Safety and Correctional Services (DPSCS) management advised us that it has been unable to provide the reports needed by the individual regions to perform reconciliations since the Office of the Secretary implemented the Maryland Offender Banking System II (MOBSII) in August 2014.

The June 2014 reconciliation indicated that the MOBS balance (\$254,578) exceeded the corresponding Comptroller balance (\$243,342) by \$11,236. The Region had not resolved this difference which has been included as a reconciling item on the monthly reconciliations since April 2014. Our review, however, disclosed that \$9,000 of this difference was caused by a mathematical error. Nevertheless, this difference indicates that inmate funds on deposit with the Comptroller may not be sufficient to cover the balance of inmate accounts in MOBS.

Inmate accounts include funds earned by or received on behalf of inmates. These funds, which are deposited with the State Treasurer, can be saved or inmates can direct the Region to pay these funds to third parties.

#### **Recommendation 1**

**We recommend that the Region perform the aforementioned reconciliations on a periodic basis, investigate differences noted, and take appropriate corrective action, including working with the DPSCS Office of the Secretary to obtain the needed reports from MOBSII.**

## **Cash Receipts**

### **Finding 2**

**The Region did not adequately verify that certain cash receipts were deposited.**

#### **Analysis**

The Region lacked adequate procedures to ensure that cash receipts, which primarily related to inmate funds for BCDC and BCBIC, were deposited. Specifically, the documents on which collections were initially recorded were not forwarded directly to the employee who verified that recorded collections were deposited. Instead, the documents, along with the related collections, were first given to another employee who prepared the deposit. Consequently, the initial source of recordation could be altered to conceal misappropriations. In addition,

prior to April 2014, the employee responsible for the deposit verification also had access to the cash receipts. According to State records, cash receipts for BCDC and BCBIC totaled approximately \$2.7 million for calendar year 2013.

## **Recommendation 2**

**We recommend that the employee who prepares the initial record of collections forward this record directly to the independent employee who performs the deposit verifications.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Department of Public Safety and Correctional Services (DPSCS) – Central Region. Because of a departmental reorganization (which is explained on page 3 of this report), our audit of the Central Region included the activities of the following DPSCS units for these periods:

Central Region – July 1, 2012 to June 30, 2014

Division of Pretrial Detention and Services – April 16, 2010 to June 30, 2012

This audit included the financial activities of the Baltimore City Detention Center, the Baltimore Central Booking and Intake Center, and certain activities of the Chesapeake Detention Facility.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Region's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included disbursements, cash receipts, payroll, inmate funds, and equipment. We also determined the status of the findings contained in



our preceding audit report of the DPSCS – Division of Pretrial Detention and Services.

Our audit did not include the financial activities (such as payroll processing, purchasing, maintaining inmate fund records, processing federal reimbursement requests, maintaining accounting records, and conducting related fiscal functions) of the Region's correctional facilities and certain financial activities of the Chesapeake Detention Facility (maintenance of inmate fund records and processing federal reimbursement requests). These financial activities are provided by the Department of Public Safety and Correctional Services – South Region and are included within the scope of our audit of the South Region.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Region's operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The Central Region's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Region's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Region that did not warrant inclusion in this report.

The response from DPSCS, on behalf of the Region, to our findings and recommendations, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DPSCS regarding the results of our review of its response.



## APPENDIX

# Department of Public Safety and Correctional Services

### Office of the Secretary

300 E. JOPPA ROAD • SUITE 1000 • TOWSON, MARYLAND 21286-3020  
(410) 339-5000 • FAX (410) 339-4240 • TOLL FREE (877) 379-8636 • V/TTY (800) 735-2258 • [www.dpscs.maryland.gov](http://www.dpscs.maryland.gov)

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DAVID N. BEZANSON  
ASSISTANT SECRETARY  
CAPITAL PROGRAMS

April 27, 2015

Mr. Thomas Barnickel III, CPA  
Legislative Auditor  
State of Maryland Office of Legislative Audits  
Department of Legislative Services  
301 W. Preston Street, Room 1202  
Baltimore, Maryland 21201

Dear Mr. Barnickel:

We have reviewed the April 2015 Draft Legislative Audit Report for the Department of Public Safety and Correctional Services' (DPSCS) Division of Pretrial Detention and Services (DPDS) and are pleased that all seven findings from the last audit have been satisfactorily addressed.\*

DPSCS appreciates the constructive recommendations that were made as the result of this audit.

Attached is DPDS Acting Commissioner Kevin Patten's response to the Draft Audit Report. Mr. Patten will continue to implement corrective action to resolve the two audit findings and will closely monitor the status in order to prevent any repeat audit findings going forward.

Please let me know if you have any questions or need additional information.

Sincerely,

Stephen T. Moyer  
Secretary

Copy: Col. Thomas E. Hutchins, Director, Governor's Office of Homeland Security

**\*Auditor's Comment:** In its response to our audit report on the Department of Public Safety and Correctional Services - Central Region, the Department refers to the audit report for the Division of Pretrial Detention and Services (DPDS). As detailed in our audit report, this audit included the financial activities of the detention facilities (such as the Baltimore City Detention Center and the Baltimore Central Booking and Intake Center) that were primarily audited as part of DPSCS - DPDS before a departmental reorganization that occurred effective July 1, 2012. According to the Department, it is in the process of re-establishing the DPDS under a new reorganization. Going forward, the DPDS will be responsible for the financial activities of the Department's detention facilities.



## Department of Public Safety and Correctional Services

### Division of Pretrial Detention and Services

#### Office of the Commissioner

400 EAST MADISON STREET • BALTIMORE • MARYLAND 21202  
(410) 209-4295 • FAX (410) 209-4250 • TOLL FREE (877) 379-8636 • V/TTY (800) 735-2258 • [www.dpsscs.maryland.gov](http://www.dpsscs.maryland.gov)

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ASSISTANT SECRETARY  
CAPITAL PROGRAMS

April 22, 2015

Stephen T. Moyer, Secretary  
Department of Public Safety and Correctional Services  
300 East Joppa Road, Suite 1000  
Towson, Maryland 21286-3020

Dear Secretary Moyer:

Included below are the responses to the Draft Legislative Audit Report dated April 2015 covering the examination of the accounts and records of the Division of Pretrial Detention and Services for the period beginning April 16, 2010 and ending June 30, 2014. The Division of Pretrial Detention and Services will aggressively pursue implementation of the Draft Audit Report recommendations.

**Finding 1 – The Central Region had not fully reconciled its inmate fund records with the corresponding records maintained by the Comptroller of Maryland.**

#### **Recommendation 1:**

**We recommend that the Region perform the aforementioned reconciliations on a periodic basis, investigate differences noted, and take appropriate corrective action, including working with the DPSCS Office of the Secretary to obtain the needed reports from MOBSII.**

**We agree.** DPDS has been working with the DPSCS Office of the Secretary to obtain the needed reports from MOBSII and will perform the reconciliations on a periodic basis, investigate the differences noted and take appropriate corrective action to resolve the differences.

**Finding 2 – The Region did not adequately verify that certain cash receipts were deposited.**

#### **Recommendation 2:**

**We recommend that the employee who prepares the initial record of collections forward this record directly to the independent employee who performs the deposit verifications.**

**We agree.** Beginning in January 2015, DPDS implemented the auditor's recommendation and the employee who prepares the initial record of collections now forwards it directly to the independent employee who performs the deposit verifications.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kevin D. Patten". The signature is fluid and cursive, with the first name "Kevin" and last name "Patten" being more legible than the middle initial "D".

Kevin D. Patten, Acting Commissioner

cc: William G. Stewart, Deputy Secretary for Administration, DPSCS  
Wendell M. France, Deputy Secretary for Operations DPSCS  
Chris McCully, Director of Financial Services, DPSCS  
Taofeek Adewumi, Fiscal Services Chief, DPDS  
Joseph M. Perry, Inspector General, DPSCS

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