

Audit Report

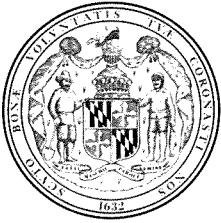
**Department of Public Safety and Correctional Services
Office of the Secretary and Other Units**

November 2012



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

November 7, 2012

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

We have audited the Office of the Secretary and other units of the Department of Public Safety and Correctional Services for the period beginning July 1, 2009 and ending December 18, 2011. The Office has statewide responsibility for the control and habilitation of incarcerated individuals. The Office also maintains the State's criminal history record information and administers the 9-1-1 Trust Fund.

Our audit disclosed accountability and record keeping deficiencies related to information technology equipment.

The Office's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us by the Office during the course of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom J. Barnickel III".

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Background Information

Agency Responsibilities

The Department of Public Safety and Correctional Services - Office of the Secretary has statewide responsibility for the control and habilitation of incarcerated individuals. The Office is also responsible for the maintenance of the State's criminal history record information. In addition, the Office is responsible for administering the 9-1-1 Trust Fund as required by law. According to the State's records, during fiscal year 2011, expenditures for the six budgetary units audited, which are indicated on page 5, totaled approximately \$176.4 million.

Reorganization

In fiscal year 2012, the Office initiated a Department-wide reorganization to establish three regions within the State (North, Central, and South) for the purposes of creating a regional approach to providing essentially all inmate related functions, such as incarceration, probation, parole, and reentry into society. Through the reorganization, the Office is seeking to keep inmates in one region as they move within the DPSCS system. The reorganization is also meant to find efficiencies, and to improve inmate reentry into society. While the reorganization was initiated in fiscal year 2012, the Office anticipates that, for budgetary purposes, the reorganization will be implemented via budget amendment in fiscal year 2013.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated September 15, 2010. We determined that the Office satisfactorily addressed all of these findings.

Findings and Recommendations

Equipment

Finding 1

Equipment maintained by the Office's Information Technology and Communications Division (ITCD) was not adequately controlled and accounted for.

Analysis

Controls and record keeping procedures relating to equipment maintained by the Office's ITCD (primarily computer-related equipment) were not sufficient. According to the Office's detailed equipment records, as of June 21, 2012, ITCD equipment totaled approximately \$40.6 million and constituted the vast majority of the Office's total equipment inventory. Our review disclosed the following conditions:

- The Office did not periodically reconcile its control account balance for ITCD equipment to the total of the related detail records. As of June 2012, the ITCD control account balance totaled \$38.9 million while the related detail records totaled \$40.6 million, a difference of \$1.7 million.
- Based on our review of the detailed inventory records, as of March 2012, equipment valued at approximately \$316,000 had not been accounted for from 21 months to more than 44 months. Accordingly, the Office should attempt to locate this equipment and write off the equipment if it is missing.
- The Office did not report 15 missing or stolen sensitive equipment items totaling approximately \$22,500 to the Department of General Services (DGS) as required. The equipment was identified as missing or stolen in fiscal years 2009 and 2010, but as of April 2012, had not been reported to DGS.

The DGS *Inventory Control Manual* requires that a control account and detail records be maintained for equipment to properly reflect all transactions and that the control account be periodically reconciled to the related detail records. The *Manual* further requires that when physical inventories of equipment are taken that records for missing items are investigated, reported and removed in accordance with this *Manual*. Furthermore, missing or stolen items are to be reported to DGS within ten working days of discovery of the loss.

Recommendation 1

We recommend that the Office comply with the aforementioned requirements of the *Inventory Control Manual*.

Audit Scope, Objectives, and Methodology

We have audited the following units of the Department of Public Safety and Correctional Services for the period beginning July 1, 2009 and ending December 18, 2011:

- Office of the Secretary (including the 9-1-1 Trust Fund)
- Maryland Parole Commission
- Inmate Grievance Office
- Police and Correctional Training Commissions
- Maryland Commission on Correctional Standards
- Division of Corrections - Headquarters

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 the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Office's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included procurements and disbursements, contracts, cash receipts, accounts receivable, payroll, and equipment. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Office's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit included various support services (such as payroll, purchasing, maintenance of accounting records and related fiscal functions) provided by the Office on a centralized basis for two other DPSCS units – the Division of Parole and Probation and the Criminal Injuries Compensation Board – which are audited separately. Our audit did not include the computer operations of DPSCS’s Information and Technology and Communications Division, which is also audited separately.

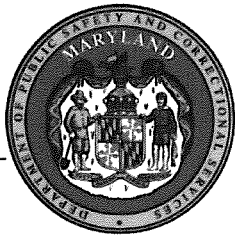
The Office’s management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding 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 a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Office’s ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This condition also represents a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Office that did not warrant inclusion in this report.

The Office’s response 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 the Office regarding the results of our review of its response.



APPENDIX

Department of Public Safety and Correctional Services

Office of the Secretary

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COMMISSION

MARYLAND PAROLE
COMMISSION

CRIMINAL INJURIES
COMPENSATION BOARD

EMERGENCY NUMBER
SYSTEMS BOARD

SUNDRY CLAIMS BOARD

INMATE GRIEVANCE OFFICE

October 25, 2012

Mr. Thomas J. Barnickel III, CPA
Acting Legislative Auditor
Office of Legislative Audits, Room 1202
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel:

The Department of Public Safety and Correctional Services has reviewed the draft audit report dated October 2012 for the Office of the Secretary and Other Units. The Department appreciates the constructive recommendation that was made as the result of this audit.

I am pleased that the legislative auditors found that the Office of the Secretary has satisfactorily addressed all six of the findings contained in the preceding audit report dated September 15, 2010. One new finding was identified in the current audit which covers the period from July 1, 2009 through December 18, 2011.

Please find below the Office of the Secretary's response to the draft audit report finding. Chief Information Officer Brothers has begun, and will continue, to implement corrective action to address the audit finding, and will closely monitor the status in order to prevent a repeat audit finding in the next audit.

Equipment

Finding #1 – Equipment maintained by the Office's Information Technology and Communications Division (ITCD) was not adequately controlled and accounted for.

Recommendation #1 – We recommend that the Office comply with the aforementioned requirements of the *Inventory Control Manual*.

We Agree.

- a. The Office will reconcile the equipment control account to the related detail records on a quarterly basis.

- b. The Office will conduct physical inventories on at least an annual basis, and all missing items will be investigated, reported and removed in accordance with the *DGS Inventory Control Manual*. The anticipated compliance date is June 30, 2013.
- c. Effective immediately, any missing or stolen items will be reported to DGS within ten working days of discovery of the loss.

I trust that this response adequately addresses the finding and recommendation contained in the draft audit report. If you have any questions regarding the Department's response, please contact me.

Sincerely,



Gary D. Maynard
Secretary

Cc: G. Lawrence Franklin, Deputy Secretary, Administration, DPSCS
J. Michael Stouffer, Deputy Secretary, Operations, DPSCS
Rhea L. Harris, Assistant Secretary/Chief of Staff, DPSCS
David N. Bezanson, Assistant Secretary, Capital Programs, DPSCS
Susan D. Dooley, Director, Office of Financial Services, DPSCS
Ronald C. Brothers, Chief Information Officer, ITCD, DPSCS
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