



**Department of Legislative Services  
Office of Legislative Audits**

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**Department of Public Safety and  
Correctional Services -  
Baltimore Region**

Report dated October 29, 2010

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### Audit Overview

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- The Baltimore Region is a separate budgetary unit within the Department of Public Safety and Correctional Services' Division of Corrections and includes the following institutions for male offenders:
  - Maryland Correctional Adjustment Center
  - Metropolitan Transition Center
  - Maryland Reception, Diagnostic, and Classification Center
  - Baltimore City Correctional Center
  - Baltimore Pre-release Unit
- As of June 30, 2009, the Region had a total population of 3,202 inmates and during FY 2009 had expenditures totaling \$132.8 million.
- Our audit report included 10 findings, 6 of which were repeated from our preceding audit report.



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### Key Audit Issues

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- Serious oversight, record keeping, and documentation deficiencies existed with respect to the Region's working and inmate funds, as well as questions regarding specific disbursements. These conditions indicated an almost complete lack of control and accountability over these funds. Based on the matters noted, we referred these issues to the Criminal Division of the Office of the Attorney General.
- Adequate procedures, controls, and records had not been established over several other financial areas including cash receipts, payroll, and equipment.



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### Working Funds and Inmate Funds

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#### Background:

- The Region maintains a general (GWF) and an inmate (IWF) working fund, each established by an advance from the Comptroller of Maryland (COT), consisting of a checking account & cash on hand.
  - Disbursements can be made by cash withdrawal or by check and the funds are replenished through the State's transmittal process, using general funds (GWF) or from inmate funds (IWF) held by the State Treasurer.
  - COT policy requires the GWF to be used only for emergency purchases in nominal amounts or for travel and emergency payroll advances. The IWF is used to disburse funds belonging to inmates at their direction, or upon their release.
  - GWF disbursements totaled \$283,000 between July 1, 2006 and October 31, 2009. IWF disbursements totaled \$1.5 million between July 1, 2007 and October 31, 2009.
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### Working Funds and Inmate Funds (continued)

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Record keeping for both the GWF and the IWF was poor, contributing to a significant lack of accountability & control over the funds. (Finding 1)

- Checking account balances were not maintained on a current basis. Consequently, daily balances were not available, account reconciliations were difficult or impractical to perform, and any reconciliations or fund compositions that were completed were unreliable.
- Analyses prepared by OLA and by the Region at our request, disclosed that IWF funds totaling \$15,500 and GWF funds totaling \$14,400 could not be accounted for.
- Bank fees of \$23,300 were incurred over a two-year period, due primarily to checks being written without sufficient funds on the account applicable to the IWF.



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### Working Funds and Inmate Funds (continued)

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- The Region's inmate account records were not reconciled with the COT's corresponding record of actual inmate funds held on deposit. **(Finding 2)**
  - As of May 31, 2009, the Region's total of \$698,556 exceeded the COT's balance of \$471,807 by \$226,749.
  - A similar condition was commented upon in our two preceding audit reports.

Date	Region Total	COT Total
January 31, 2006	\$498,000	\$69,000
March 31, 2002	\$386,000	\$262,000

- This difference implies that funds on deposit may not be sufficient to cover all inmate account balances on record.



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### Working Funds and Inmate Funds (continued)

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- Certain basic internal controls were lacking for the GWF and IWF, or existing controls were ineffective. Consequently, there was no assurance that all transactions were valid, properly authorized and that records were accurate. (Finding 3)
    - Access to GWF and IWF blank checks and signature plates was not adequately restricted. For example, one employee could record IWF transactions in the records and had access to the blank check stock and related signature plate.
    - One employee exercised complete control over cash withdrawn from the IWF, by requesting and receiving the cash, & preparing it for distribution.
    - IWF disbursements & reimbursement requests frequently lacked adequate supervisory review. OLA identified 12 duplicate transmittals for \$28,235 that were submitted to COT for reimbursement and one for \$70,454 that did not have any supporting documentation to substantiate the request.
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### Working Funds and Inmate Funds (continued)

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The Region periodically transferred funds between the GWF and the IWF, impairing accountability over the funds and circumventing the COT's approval process for establishing the amount authorized for each fund. We question the practice of comingling State funds and funds belonging to inmates. (Finding 4)

- Four transfers totaling \$48,829 were made between the two funds during the period of 4/08 to 4/09, including \$31,500 temporarily advanced by COT to the IWF. The advance was not repaid to the COT as required, but instead the Region moved the funds to the GWF.
  - The Region received a \$40,000 "loan" from the inmate working fund of another Region.
  - OLA tests found three GWF checks totaling \$10,365 that were payable to the Region's IWF, but there was no justification on file for these payments.
  - The COT authorized advance for the GWF was \$8,300 and \$57,300 for the IWF at 3/10.
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### Working Funds and Inmate Funds (continued)

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The Region made numerous unsupported and questionable check disbursements and cash withdrawals from the working funds. (Finding 5)

- A review of 37 GWF checks disclosed 25 for \$19,536 without documentation substantiating the propriety of the disbursement, including one for \$2,000 payable to the IWF, for which OLA could find no corresponding deposit in the IWF.
- Authorizing documentation was not on file to substantiate the propriety of any employee salary advances issued from the GWF prior to FY 2008. In FY 2007 alone, 72 advances for \$53,000 were issued from the GWF.
- A review of approximately 270 cash withdrawals totaling \$10,500 from the IWF for the purpose of paying inmates upon their release, disclosed that the vast majority did not include the inmate's signature as required by DPSCS policy.



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### Working Funds and Inmate Funds (continued)

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Further analysis of certain transactions in **Finding 5**, disclosed highly questionable disbursements.

- A \$541 GWF check was issued in February 2008 to a former employee who had resigned in June 2005. No authorizing documentation was on file.
- A GWF salary advance of \$1,117 was issued to an employee just prior to the individual's retirement in July 2009. This employee already had an outstanding salary advance of \$1,052 dating back to October 2007. Neither amount had not been repaid as of January 2010.
- Seven salary advances totaling \$4,199 were paid from the IWF. As previously noted, inmate funds are the property of inmates. They should not be used to advance funds to Region employees.



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### Other Control and Record Keeping Issues

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- Procedures and controls relating to the accountability and verification of cash receipts were not sufficient. Cash receipts totaled \$4.1 million during fiscal year 2009. (Finding 6)
    - Many pre-numbered receipt forms (used to record collections) were missing from inventory. From a block of 13,000 receipts issued from 6/08 to 5/09, 3,700 forms could not be accounted for.
    - Chargeback transactions totaling \$174,000 were not investigated. Chargebacks can occur when credit is not received for a deposit due to non-sufficient fund checks.
    - Recorded collections were not always verified to deposit records.
  - Procedures had not been established during our audit period to ensure that payroll adjustments recorded on automated timekeeping reports, such as adding overtime worked, were subject to independent supervisory review. (Finding 7)
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## Other Control and Record Keeping Issues

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- Proper controls had not been established over the processing of certain transactions on the State's Financial Management Information System. Eight employees (one at the Region and seven at other DPSCS facilities) had the capability to initiate purchase orders and then makes changes (e.g., vendor names and amounts) to those transactions after they were approved by others. (Finding 8)
- Equipment records were not properly maintained. (Finding 9)
  - Equipment records were not periodically reconciled and adjustments to those records were not adequately supported.
  - Acquired equipment was not always recorded in the detail equipment records.
  - Equipment items recorded in the detail records could not always be located.



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### Conclusion

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#### The Region needs to:

- Establish proper accountability and controls over both its working funds and inmate funds by:
  - Maintaining accurate records and preparing timely reconciliations and fund compositions.
  - Requiring proper separation of duties, and ensuring that transactions are subject to supervisory review.
  - Complying with established State procedures for adjusting working fund balances when necessary and maintaining adequate documentation to support disbursements and withdrawals.
  - Investigating the proper disposition of unaccounted for and improperly transferred funds, and questionable working fund transactions identified, and recovering outstanding advances.
- Ensure that adequate procedures, controls, and records have been established and implemented for other Region fiscal processes, such as cash receipts.