

Audit Report

**Department of Public Safety and Correctional Services
Regional Operations**

September 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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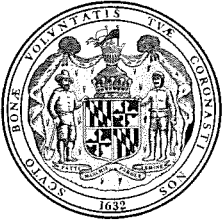
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

September 5, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the regional fiscal offices of the Department of Public Safety and Correctional Services (DPSCS) serving various DPSCS correctional and pre-trial facilities located in the State. During the past few years, DPSCS has undergone several reorganizations and transfers of responsibilities within units. To promote consistency in reporting of audit issues, we have modified our audit approach and consolidated our audits into two audits—DPSCS Central Operations and DPSCS Regional Operations. We also will continue to conduct separate audits of the DPSCS Information Technology and Communications Division and Maryland Correctional Enterprises. This audit of the regional operations covered certain fiscal activities performed by the five regional fiscal offices on behalf of the twenty-one DPSCS correctional and pretrial facilities located in the State for the following periods:

For the period beginning July 1, 2014 and ending June 30, 2015:

- South Region
- Central Region

For the period beginning April 1, 2015 and ending June 30, 2015:

- North Region

For the period beginning July 1, 2015 and ending March 31, 2018:

- Division of Correction
- Division of Pretrial Detention
- Patuxent Institution

Our audit disclosed that certain regional fiscal offices' inmate fund records were not always sufficiently reconciled with the corresponding State records in a timely manner and were not adequately supported. For example, the regional fiscal offices reconciled the monthly collections and disbursements, but not the related fund balances. As of February 2018, the combined DPSCS inmate fund balance from the five fiscal offices exceeded the fund balance maintained by the Comptroller of Maryland by \$45 million. Furthermore, as of August, 3, 2018, the reconciliations at four regional fiscal offices had not been conducted for periods ranging from three to seven months. As a result, certain differences were not readily identified and resolved.

Also, our review of inmate fund accounting at two regional fiscal offices disclosed that DPSCS did not have adequate controls over inmate fund collections and disbursements. For example, one regional office had not conducted deposit verifications for 13 of the 15 deposits tested and, at the other regional fiscal office, the employee conducting the deposit verification was not independent. In addition, disbursements at one of the regional fiscal offices were not sufficiently controlled, resulting in one employee having the ability to process disbursements without any independent review and approval.

Furthermore, DPSCS did not adequately review and restrict access to its biometric timekeeping system, which we were advised was used by 5,672 correctional facility employees, resulting in 659 supervisory employees with the ability to edit and approve their own time and leave records. In addition, DPSCS did not ensure that time and leave recorded in the biometric timekeeping system were accurately transferred to the State's automated payroll management system, and did not have processes in place at one regional fiscal office to ensure compliance with DPSCS' overtime policies. As a result, certain overtime hours paid could not be supported and were not compliant with DPSCS policies.

Our audit included a review to determine the status of eight findings contained in our preceding audit reports of DPSCS. These audit reports included the Central Region (two findings); the South Region (four of five findings); and the North Region (two of three findings). We determined that the DPSCS satisfactorily addressed five of these eight findings. The remaining three findings are repeated in this report as one finding.

DPSCS' response to this audit, on behalf of the regional fiscal offices, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the course of this audit by the regional fiscal offices, and their willingness to address the audit issues and implement appropriate corrective action.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Gregory A. Hook, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Agency Responsibilities and Organizational Change

Through its correctional institutions and parole and probation programs, the Department of Public Safety and Correctional Services (DPSCS) has statewide responsibility for the supervision and rehabilitation of incarcerated and paroled individuals. DPSCS also sets standards for criminal justice training and operates criminal justice information systems. In addition, DPSCS is responsible for administering the 9-1-1 Trust Fund, as required by law. We conduct separate audits of DPSCS Central Operations (which includes the Division of Parole and Probation), DPSCS Regional Operations, DPSCS Information Technology and Communications Division, and Maryland Correctional Enterprises.

This audit of DPSCS regional operations included certain financial activities of DPSCS' five regional fiscal offices on behalf of 21 facilities.¹

Jessup	
Baltimore City Correctional Center	Maryland Correctional Institution for Women
Brockbridge Correctional Facility	Maryland Correctional Institution - Jessup
Central Maryland Correctional Facility	Maryland Reception, Diagnostic, and Classification Center
Chesapeake Detention Facility	
Dorsey Run Correctional Facility	Metropolitan Transition Center
Eastern Pre-Release Unit	Patuxent Institution
Jessup Correctional Institution	Southern Maryland Pre-Release Unit
Baltimore	
Baltimore Central Booking and Intake Center	Baltimore Pretrial Complex
Hagerstown	
Maryland Correctional Institution - Hagerstown	Maryland Correctional Training Center
	Roxbury Correctional Institution
Cumberland	
North Branch Correctional Institution	Western Correctional Institution
Eastern Shore	
Eastern Correctional Institution and Annex	

¹ In the past, the Jessup and Eastern Shore regional fiscal offices were audited as the South Region; the Hagerstown and Cumberland regional fiscal offices were audited as the North Region; and the Baltimore regional fiscal office was audited as the Central Region.

We reviewed activities for these regional fiscal offices that were unique to the facilities, such as inmate cash receipts, inmate funds, and the biometric timekeeping system used by correctional officers. According to DPSCS records, during fiscal year 2018, inmate fund collections and disbursements totaled \$27.7 million and \$8.1 million, respectively. DPSCS payroll costs for all employees at correctional and detention facilities totaled approximately \$652.4 million during fiscal year 2018.

The DPSCS Central Operations audit included all DPSCS payroll processed within the Statewide Personnel System, all disbursements and procurement transactions, all corporate purchasing card activity, equipment, information systems, and all non-inmate cash receipts. The Information Technology and Communications Division audit includes the activities associated with the maintenance and support of DPSCS' information systems, and the Maryland Correctional Enterprises audit includes the work and job training provided to inmates of the Maryland correctional system.

Beginning in September 2012, DPSCS operated under a regional approach to providing its inmate-related functions; however, effective July 1, 2015, DPSCS returned to its former organizational structure with individual functional divisions (the Division of Correction, the Division of Parole and Probation, and the Division of Pretrial Detention), and the Patuxent Institution.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of eight findings contained in our preceding audit reports of DPSCS. These audits included the Central Region, dated May 1, 2015 (two findings); the South Region, dated October 28, 2015 (four of five findings); and the North Region, dated October 28, 2015 (two of three findings). As disclosed in the following table, we determined that DPSCS satisfactorily addressed five of these eight findings. The remaining three findings are repeated in this report as one finding.

Table 1
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
<u>Central Region</u>		
Finding 1	The Central Region had not fully reconciled its inmate fund records with the corresponding records maintained by the Comptroller of Maryland.	Repeated (Current Finding 1)
Finding 2	The Central Region did not adequately verify that certain cash receipts were deposited.	Not Repeated
<u>South Region</u>		
Finding 1	The Region had not fully reconciled its inmate fund records with corresponding Comptroller records.	Repeated (Current Finding 1)
Finding 2	Controls were lacking over certain inmate fund transactions and records.	Not Repeated
Finding 4	A management employee was in a position to influence the Region's decision to hire an immediate family member.	Not Repeated
Finding 5	Procedures and controls over overtime payments and leave recordkeeping need improvement.	Not repeated
<u>North Region</u>		
Finding 1	The Region had not timely reconciled its inmate fund records with corresponding Comptroller records.	Repeated (Current Finding 1)
Finding 2	Critical controls were lacking over certain inmate fund transactions and records.	Not Repeated

Findings and Recommendations

Inmate Funds

Background

The five regional fiscal offices of the Department of Public Safety and Correctional Services (DPSCS) maintain inmate funds on behalf of individuals incarcerated in State correctional and detention facilities. All receipts are initially deposited in the State's General Fund and then transferred to checking accounts maintained by each regional fiscal office. Regional fiscal office staff record all inmate fund activity in the Maryland Offenders Banking System II (MOBS II). Disbursements of inmate funds are made by check or cash to inmates or their designees. See Table 2 for inmate fund activity for fiscal year 2018 by regional fiscal office. During this audit, we reviewed inmate fund procedures at the Jessup and Hagerstown regional fiscal offices, and tested selected transactions, including inmate fund reconciliations, from each of the five regional fiscal offices.

Table 2
Fiscal Year 2018 Inmate Fund Activity
(In Thousands)

Office	Funds Received	Funds Disbursed	Balance as of June 30, 2018
Jessup	\$11,427	\$3,667	\$14,514
Hagerstown	7,039	1,914	21,753
Eastern Shore	3,983	1,152	10,631
Cumberland	3,570	1,106	9,942
Baltimore	1,648	256	2,204
Total	\$27,667	\$8,095	\$59,044

Source: DPSCS Records

Finding 1

Monthly reconciliations between MOBS II and the Comptroller's records were not always sufficiently comprehensive, timely, and supported.

Analysis

Monthly reconciliations between MOBS II and the Comptroller's records were not always sufficiently comprehensive, timely, and supported. These reconciliations are required by DPSCS policy as a means to ensure inmate funds are appropriately accounted for. Our review of the reconciliations disclosed the following conditions:

- The DPSCS regional fiscal offices reconciled monthly collections and disbursements on MOBS II with the related Comptroller's records; however, the fiscal offices did not reconcile the related fund balances. While an ending fund balance was calculated during the individual reconciliation process,

differences between the calculated fund balance and the related MOBS II and Comptroller balances were not readily identified and resolved, and certain calculated fund balances appeared questionable. Specifically, our review of the February 2018 reconciliations for the five regional fiscal offices disclosed that the combined calculated fund balance (\$51.6 million) exceeded the MOBS II balance (\$49.0 million) and Comptroller's balance (\$6.6 million) by \$2.6 million and \$45 million, respectively. Furthermore, our review of the August and September 2017 Jessup fiscal office reconciliations disclosed that the August ending calculated fund balance (\$23.5 million) was not used as the September beginning fund balance (\$7.7 million). DPSCS management advised us that it did not have an efficient way to reconcile the monthly ending fund balances and could not readily determine the reason for these differences.

- Reconciliations were not conducted monthly as required. Specifically, as of August, 3, 2018, the reconciliations at four regional fiscal offices had not been conducted for periods ranging from three to seven months. For example, the most recent reconciliation prepared for the Jessup fiscal office was January 2018.
- Reconciling transactions were not sufficiently supported in one reconciliation reviewed. Specifically, on the June 2017 reconciliation, the Jessup fiscal office indicated certain reconciling transactions totaling a negative \$100,000, but the documentation supporting these transactions equaled positive \$1.1 million. Jessup fiscal office management could not readily explain why the amount recorded on the reconciliation did not agree with supporting documentation.

The *DPSCS Financial Operations Manual* provides that, on a monthly basis, inmate fund balances on MOBS II should be reconciled with the related balances on the Comptroller's records. Similar conditions regarding the failure to conduct comprehensive and timely reconciliations were included in a number of preceding audit reports for various DPSCS entities dating back to 2002.

Recommendation 1

We recommend that DPSCS

- a. prepare comprehensive monthly reconciliations between MOBS II and the Comptroller's records as required (repeat);**
- b. prepare these monthly reconciliations on a timely basis (repeat);**
- c. adequately document these reconciliations; and**

- d. **consult with appropriate control agency personnel (such as the Comptroller's General Accounting Division), as needed, regarding the resolution of the aforementioned longstanding differences (repeat).**

Finding 2

DPSCS did not have adequate controls over inmate fund collections and disbursements at the two regional fiscal offices reviewed.

Analysis

DPSCS did not have adequate controls over inmate fund collections and disbursements at the two regional fiscal offices reviewed. According to DPSCS records, the Jessup fiscal office had lockbox collections of \$5.8 million and remotely deposited collections of \$1.5 million during fiscal year 2018, and the Hagerstown fiscal office remotely deposited collections of \$3.7 million during fiscal year 2018.

- The two regional fiscal offices did not perform proper deposit verifications. Specifically, our review of 15 deposits processed by the Jessup fiscal office during the period from July 2017 through March 2018, totaling \$336,000, disclosed that there was no deposit verification for 13 of the deposits totaling \$292,000. For the Hagerstown fiscal office, the employee conducting the deposit verification had access to the related collections and, therefore, was not independent. In addition, this employee did not use the initial record of collections received in the verification process. As a result, there was a lack of assurance that all funds received at these regional fiscal offices were subsequently deposited.
- Inmate fund check collections were not restrictively endorsed upon receipt at 10 of the facilities supported by the Jessup fiscal office. Rather, these checks were forwarded to the Jessup fiscal office, via courier or by regional fiscal office staff, where they were restrictively endorsed.
- As of August 22, 2018, the most recent bank reconciliation for the Hagerstown fiscal office checking account was for January 2018. In addition, this reconciliation did not indicate the date prepared so that the timeliness of its preparation could be assessed.
- Disbursement duties were not segregated at the Jessup fiscal office. Specifically, one employee had access to the blank check stock, could process a disbursement on MOBS II, and was authorized to sign checks. This employee was also responsible for sending reports of approved checks to the

bank for its use as a fraud prevention tool. As a result, this employee could process a disbursement without any independent review and approval, and could circumvent these fraud prevention controls. Our review of the MOBS II disbursement file for the period from July 2017 to May 2018 did not identify any disbursements unilaterally processed by this employee.

The Comptroller of Maryland's *Accounting Procedures Manual* provides that collections should be recorded and restrictively endorsed upon receipt and the initial record should be verified to the deposit record by an employee independent of the collections function. In addition, the DPSCS *Financial Operations Manual* provides that an employee who can process disbursements should not be able sign the related disbursement checks.

Recommendation 2

We recommend that DPSCS

- a. perform and document independent deposit verifications using the initial record of collections received,**
- b. restrictively endorse checks immediately upon receipt,**
- c. prepare bank reconciliations in a timely manner and document the date prepared, and**
- d. properly segregate the duties of processing disbursements and signing related checks.**

We advised the regional fiscal offices on accomplishing the necessary separation of duties using existing personnel.

Payroll

Background

DPSCS began using a biometric timekeeping system at one facility in December 2016 and finished implementing it in all facilities in May 2017. DPSCS facility employees scan their fingerprints into the timekeeping system each day to record their "in" and "out" times. Employee leave taken is manually posted into the timekeeping system by each employee's immediate supervisor. The supervisor is responsible for the initial approval of employee time for the pay period and for any needed adjustments. The approved time and leave information is then interfaced into the Statewide Personnel System (SPS) for payroll processing.

We were advised that, as of February 12, 2019, there were 5,672 employees using the biometric system and, according to DPSCS records as of July 2018, there were 721 users who could manually post, edit, and/or approve time and leave on

the system. We reviewed the access for all 721 of these users on the system. In addition, we reviewed procedures at the Jessup regional fiscal office and tested timekeeping system transactions from five of the facilities supported by this office. We also tested other earnings and overtime payments at the Jessup, Hagerstown, Cumberland, and Eastern Shore regional fiscal offices. According to its records, DPSCS payroll costs for all employees at correctional and detention facilities totaled approximately \$652.4 million during fiscal year 2018.

Finding 3

Access to the biometric timekeeping system was not periodically reviewed and adequately restricted, resulting in numerous employees with the ability to edit and approve their own time and leave records. In addition, DPSCS did not ensure that the time and leave recorded in the timekeeping system were accurately transferred to SPS for biweekly payroll processing.

Analysis

Access to the biometric timekeeping system was not periodically reviewed and adequately restricted, resulting in numerous employees with the ability to edit and approve their own time and leave records. In addition, DPSCS did not ensure that the time and leave recorded in the timekeeping system were accurately transferred to SPS for payroll processing by the Comptroller of Maryland.

- DPSCS had not reviewed the propriety of user access capabilities in the timekeeping system since its implementation in fiscal year 2017. As a result, we noted that the vast majority of users had incompatible system access. Specifically, as of July 2018, there were 659 (of 721) supervisory employees who could edit and approve their own time and leave records. Furthermore, our review of the timekeeping records for five Jessup-supported facilities during the period from June 1, 2017 through March 31, 2018 disclosed instances in which this occurred. Specifically, we noted that 18 of 173 supervisors processed 990 edits to their own work time without any independent approval and supporting documentation to justify overriding the data in the biometric timekeeping system. We also identified 1,750 instances when 11 supervisors approved their own daily work time.
- DPSCS did not have a process for regional fiscal offices to reconcile time and leave data transferred from the biometric timekeeping system to SPS and resolve any differences. As a result, DPSCS did not readily identify and could not readily explain certain differences. Specifically, we compared overtime records for five employees working at Jessup-supported facilities during one pay period with the related SPS records. Our review disclosed that SPS reflected 500 hours of overtime hours for these employees but the related

timekeeping system records only reflected 422 overtime hours—a difference of 78 hours. DPSCS management personnel were able to provide documentation to justify 44 of these hours, but could not explain the remaining variance of 34 hours.

The State of Maryland *Information Security Policy* provides that agencies must continuously (at least annually) monitor the security controls over their information systems to ensure access is strictly controlled and restricted to appropriate personnel. In addition, the Comptroller of Maryland's *Internal Control Manual* provides that controls, such as edit checks, should be established at an application's interface to verify inputs and outputs.

Recommendation 3

We recommend that DPSCS

- a. establish a process to periodically review the propriety of user access to the timekeeping system;**
- b. immediately modify system access to prevent individuals from editing and approving their own time and leave records;**
- c. review work time and leave edited and approved by the aforementioned employees for propriety; and**
- d. implement a procedure to reconcile time and leave data transferred to SPS from the timekeeping system and resolve any differences, including those differences noted above.**

Finding 4

Overtime for employees at certain facilities whose payroll was processed by the Jessup fiscal office was not pre-approved and employee overtime was not restricted to a maximum of 80 hours per pay period, as required by DPSCS policy.

Analysis

Overtime for employees at certain facilities whose payroll was processed by the Jessup fiscal office was not pre-approved and employee overtime was not restricted to a maximum of 80 hours per pay period. The DPSCS *Overtime Policy - Correctional Staff* requires supervisors to approve overtime before it is worked. In addition, the *Policy* prohibits employees from working more than 80 hours of overtime in a pay period. According to State records, overtime payments at the facilities for which the Jessup fiscal office processed payroll totaled approximately \$43.5 million in calendar year 2018.

Our test of 885 hours of overtime worked by 10 employees at five different facilities whose payroll was processed by the Jessup fiscal office for one pay period in March 2018 disclosed that the fiscal office did not have the required authorization forms on file to document the pre-approval of the overtime hours to be worked. In addition, the region did not have any process to restrict employees from working more than 80 hours of overtime each pay period. Our review of timekeeping records for 1,093 correctional employees at five Jessup-supported facilities for the pay period ending March 27, 2018 disclosed that 38 employees were paid for working more than 80 hours of overtime (up to 106 hours).

Recommendation 4

We recommend that DPSCS ensure that processes are in place to comply with its overtime policy. Specifically, these processes should ensure

- a. that the required pre-approval of overtime hours to be worked is obtained or, absent pre-approval, that an employee is prohibited from working overtime; and**
- b. that employees do not work and are not paid for working more than 80 overtime hours in a pay period.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Public Safety and Correctional Services (DPSCS) Regional Operations. DPSCS reorganized into its current structure, effective July 1, 2015. Because of that reorganization (as further explained on page 8 of this report), our audit included the following units for the periods indicated:

For the period beginning July 1, 2014 and ending June 30, 2015

- South Region
- Central Region

For the period beginning April 1, 2015 and ending June 30, 2015

- North Region

For the period beginning July 1, 2015 and ending March 31, 2018

- Division of Correction
- Division of Pretrial Detention
- Patuxent Institution

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 DPSCS' 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 inmate funds and payroll activity unique to the regional fiscal offices, including the timekeeping system. We also determined the status of the findings contained in our preceding audit report of DPSCS – Central Region (two findings), as well as the status of four of five findings contained in our preceding audit report DPSCS – South Region, and two of three findings contained in our preceding audit report of DPSCS – North Region.

Our audit did not include procurements and disbursements, equipment, and payroll processed within the State Personnel System, other earnings and overtime payments related to the Division of Pretrial Detention employees, and corporate purchasing card activity. These activities are included within the scope of our DPSCS – Central Operations audit. Our audit also did not include the computer operations of the DPSCS Information and Technology and Communications Division and the Maryland Correctional Enterprises, which are audited separately.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of DPSCS - regional fiscal office operations and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Central Payroll Bureau (payroll data). 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 also extracted data from DPSCS' biometric timekeeping system used for recording correctional employee time. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

DPSCS 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 DPSCS' 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 DPSCS that did not warrant inclusion in this report.

The DPSCS Office of the Secretary's response, on behalf of the regional fiscal offices, 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

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August 27, 2019

Gregory A. Hook, CPA
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Hook,

The Department of Public Safety and Correctional Services (DPSCS) has reviewed the Office of Legislative Audits (OLA) August 2019 Draft Audit Report for the Regional Operations covering the period July 1, 2014 through March 31, 2018. The Department appreciates the constructive findings and recommendations that were made as the result of this audit.

Please find attached the Department's itemized responses to the findings and recommendations. Corrective action has or will be taken for all the findings identified by your audit, and the Office of the Inspector General will conduct periodic follow up audits to verify the status of compliance.

If you have any questions regarding this response, please contact me.

Sincerely,

Robert L. Green
Secretary

Attachment

Cc: Walter Pete Landon, Deputy Chief of Staff

**Department of Public Safety and Correctional Services
Regional Operations**

Agency Response Form

Inmate Funds

Finding 1

Monthly reconciliations between MOBS II and the Comptroller's records were not always sufficiently comprehensive, timely, and supported.

We recommend that DPSCS

- a. prepare comprehensive monthly reconciliations between MOBS II and the Comptroller's records as required (repeat);**
- b. prepare these monthly reconciliations on a timely basis (repeat);**
- c. adequately document these reconciliations; and**
- d. consult with appropriate control agency personnel (such as the Comptroller's General Accounting Division), as needed, regarding the resolution of the aforementioned longstanding differences (repeat).**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 1a	Agree	Estimated Completion Date:	6/30/20
Please provide details of corrective action or explain disagreement.	<p>The Division of Financial Services is working to ensure that comprehensive reconciliations between MOBS II and the Comptroller's records are completed on a monthly basis. Increased vacancies and turnover have impeded the Division's ability to fully implement prior corrective action plans. In addition, the conversion to MOBS II and system upgrades have required changes to how the accounts are reconciled. For example, the consolidation of all the Prisoner's Fund transactions for the Department into one PCA (A0450), requires that a consolidated reconciliation for the entire Department be completed. Therefore, the timely completion and reconciliation of the MOBS II to FMIS on a regional basis is necessary as the first step to ensure that a consolidated reconciliation is completed for the entire Department.</p> <p>Comprehensive regional monthly reconciliations between MOBS II and the Comptroller's records are in process. The Department is currently recruiting to fill additional vacancies in this area and staff will require further training.</p>		

**Department of Public Safety and Correctional Services
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Recommendation 1b	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	Comprehensive regional monthly reconciliations between MOBS II and the Comptroller's records are in process. The Department is currently recruiting to fill additional vacancies in this area and staff will require further training.		
Recommendation 1c	Agree	Estimated Completion Date:	6/30/20
Please provide details of corrective action or explain disagreement.	The Division of Financial Services will maintain supporting documentation to document the comprehensive regional monthly reconciliations between MOBS II and the Comptroller's records by 12/31/19. Documentation for the consolidated Department reconciliation will be completed by 6/30/20.		
Recommendation 1d	Agree	Estimated Completion Date:	12/31/20
Please provide details of corrective action or explain disagreement.	After the Department has completed the monthly reconciliations between MOBS II and the Comptroller's records (for the entire Department), and there has been a period of at least 6 months with no change to the irreconcilable difference, the Department will then work with the Comptroller's General Accounting Division and the Department of Budget and Management to reach an appropriate resolution for any final difference between the MOBS II and Comptroller's records.		

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Finding 2

DPSCS did not have adequate controls over inmate fund collections and disbursements at the two regional fiscal offices reviewed.

We recommend that DPSCS

- a. perform and document independent deposit verifications using the initial record of collections received,**
- b. restrictively endorse checks immediately upon receipt,**
- c. prepare bank reconciliations in a timely manner and document the date prepared, and**
- d. properly segregate the duties of processing disbursements and signing related checks.**

We advised the regional fiscal offices on accomplishing the necessary separation of duties using existing personnel.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 2a	Agree	Estimated Completion Date:	4/30/19
Please provide details of corrective action or explain disagreement.	<p>The Division of Financial Services is ensuring that adequate controls over inmate fund collections and disbursements are performed and independently verified.</p> <p>Deposit verifications are being performed and documented using the initial record of collections and are being completed by an employee independent of the collections.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	4/30/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services is ensuring that all inmate fund checks are being restrictively endorsed upon receipt in accordance with established procedures.		
Recommendation 2c	Agree	Estimated Completion Date:	4/30/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services is completing all outdated bank reconciliations in conjunction with the Comptroller's General Accounting Division. Bank reconciliations have been hindered in the past due to staffing issues. The Division has temporarily realigned work duties to assist in completing outstanding bank reconciliations and is in		

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	the process of recruiting to fill vacancies to ensure appropriate staffing levels in order to complete the bank reconciliations in a timely manner (including documenting date prepared), and in accordance with established policies and procedures.		
Recommendation 2d	Agree	Estimated Completion Date:	3/01/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services has taken corrective action to ensure that the duties for processing the disbursement of checks, and employees responsible for signing the related checks, are properly segregated and not handled by one employee in accordance with established policies and procedures.		

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Payroll

Finding 3

Access to the biometric timekeeping system was not periodically reviewed and adequately restricted, resulting in numerous employees with the ability to edit and approve their own time and leave records. In addition, DPSCS did not ensure that the time and leave recorded in the timekeeping system were accurately transferred to SPS for biweekly payroll processing.

We recommend that DPSCS

- a. establish a process to periodically review the propriety of user access to the timekeeping system;
- b. immediately modify system access to prevent individuals from editing and approving their own time and leave records;
- c. review work time and leave edited and approved by the aforementioned employees for propriety; and
- d. implement a procedure to reconcile time and leave data transferred to SPS from the timekeeping system and resolve any differences, including those differences noted above.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 3a	Agree	Estimated Completion Date:	7/01/18
Please provide details of corrective action or explain disagreement.	The Department is, on a quarterly basis, periodically reviewing the propriety of user access to the timekeeping system.		
Recommendation 3b	Agree	Estimated Completion Date:	7/01/18
Please provide details of corrective action or explain disagreement.	The Department has modified the system access to prevent individuals from editing and approving their own time records. Only the users' supervisors will be able to edit and approve their time and leave records.		

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Recommendation 3c	Agree	Estimated Completion Date:	7/01/19
Please provide details of corrective action or explain disagreement.	The Department is ensuring that work time and leave edited and approved are appropriately reviewed for propriety. The Department has worked with the vendor to establish a drop down menu that provides a listing of the names of all supervisors with the authority to approve and adjust time and leave in the time clock system. The user names and profiles are programed to prevent supervisors from editing and approving their own leave balances. All time and leave edits and approvals for supervisors must be handled by their immediate manager.		
Recommendation 3d	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	The Department will ensure that procedures are established to reconcile time and leave data currently transferred from the timekeeping system to SPS, and resolve any differences. The Department is in the process of creating a centralized payroll audit group that will be responsible for reviewing and reconciling any identified differences. Additionally, the Department is working with the timekeeping vendor and SPS personnel to test various reports to assist with automating these reconciliations. Finally, further procedures and documentation are being required in order to implement adjustments to time and leave which may occur after the submission of time from the timekeeping system to SPS.		

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Finding 4

Overtime for employees at certain facilities whose payroll was processed by the Jessup fiscal office was not pre-approved and employee overtime was not restricted to a maximum of 80 hours per pay period, as required by DPSCS policy.

We recommend that DPSCS ensure that processes are in place to comply with its overtime policy. Specifically, these processes should ensure

- a. that the required pre-approval of overtime hours to be worked is obtained or, absent pre-approval, that an employee is prohibited from working overtime; and**
- b. that employees do not work and are not paid for working more than 80 overtime hours in a pay period.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 4a	Agree	Estimated Completion Date:	4/30/19
Please provide details of corrective action or explain disagreement.	The Department is ensuring that processes are in place to comply with DPSCS policy to obtain the pre-approval of overtime hours to be worked, and if pre-approval is not provided, that employees are prohibited from working overtime.		
Recommendation 4b	Agree	Estimated Completion Date:	4/30/19
Please provide details of corrective action or explain disagreement.	The Department is ensuring that processes are in place to comply with DPSCS policy that prohibits regional operations staff from working, and getting paid for, more than 80 overtime hours in a pay period.		

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