

Audit Report

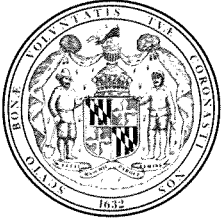
**Department of Public Safety and Correctional Services
Division of Parole and Probation**

December 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

December 5, 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 Division of Parole and Probation (DPP) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning December 14, 2009 and ending March 14, 2012. As a result of a Department-wide reorganization, DPP ceased to exist as a separate budgetary unit, effective October 2012, and its program functions and accounting and fiscal operations were transferred to the DPSCS Office of the Secretary and the regional offices established by the reorganization. Prior to the reorganization, DPP's primary responsibilities included supervising individuals placed under parole or probation and reporting violators to either the Maryland Parole Commission or the sentencing court.

Our audit disclosed that DPP had not adequately reconciled the cash balance on its automated computer system with the corresponding balance in the State's accounting records. Furthermore, DPP did not effectively monitor its agreement with a local health department to ensure all agreed-upon substance abuse treatment services were provided to certain criminal offenders and related payments were commensurate with services provided.

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

Respectfully submitted,

A handwritten signature in black ink, reading "Thomas J. Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Background Information

Agency Responsibilities

Prior to a Department-wide reorganization discussed below, the Division of Parole and Probation (DPP) of the Department of Public Safety and Correctional Services (DPSCS) supervised the conduct of parolees and regularly informed the Maryland Parole Commission of parolee activities. DPP also conducted investigations for the Commission and the courts, and performed probationary services for the Circuit and District Courts of Maryland. When requested by the Governor, DPP conducted investigations of persons who had applied for pardon or commutation of sentences or clemency. Furthermore, DPP administered the Drinking Driver Monitor Program (DDMP), a specialized monitoring service for individuals convicted of driving while intoxicated or driving under the influence of alcohol or drugs. Finally, DPP was responsible for the collection and disbursement of fines, costs, fees, and restitution funds assessed in certain court cases. According to DPP records, during fiscal year 2012, these collections and disbursements totaled approximately \$22.5 million and \$24.5 million, respectively.

During the audit period, DPP's headquarters was located in Baltimore, Maryland, with three regional offices located in Frederick, Baltimore, and Upper Marlboro. The regional offices monitored and supervised the operations of DPP's 42 field offices, which included 20 DDMP monitoring sites. According to DPP's records, as of June 30, 2012, there were approximately 101,000 cases under DPP's jurisdiction, including approximately 13,000 active DDMP cases, and its fiscal year 2012 operating expenditures totaled approximately \$101.1 million.

Reorganization

In fiscal year 2012, the DPSCS initiated a Department-wide reorganization to establish three regions within the State (North, Central, and South) for the purpose 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 DPSCS 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, for budgetary purposes, the reorganization was implemented via budget amendment in October 2012.

Accordingly, effective October 2012, DPP ceased to exist as a separate budgetary unit, and its program functions and accounting and fiscal operations have been transferred to the DPSCS Office of the Secretary and the regional offices established by the reorganization. In the future, parole and probation program functions and fiscal operations will be included in our audits of DPSCS Office of the Secretary and the various regions.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated November 17, 2010. We determined that DPP satisfactorily addressed two of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Cash Balance Reconciliations

Finding 1

The Division of Parole and Probation (DPP) did not adequately reconcile its cash balance of fines, costs, fees, and restitution funds collected and disbursed with the corresponding balance on the State's accounting records.

Analysis

DPP did not adequately reconcile its cash balance, according to the Offender-Based State Correctional Information System (OBSCIS II), with the corresponding balance on the State Comptroller's records. OBSCIS II is used to account for the collection and disbursement of the fines, costs, fees, and restitution funds assessed in certain court cases. Although a monthly reconciliation was prepared and approved, we noted that certain differences identified in the most recent reconciliation could not be adequately supported or explained by DPP as representing valid reconciling items. Furthermore, reconciling items were not always resolved in a timely manner.

The reconciliation prepared for February 2012 disclosed that the cash balances in OBSCIS II and the State Comptroller's records agreed after considering reconciling items. However, our review of 12 significant reconciling items totaling approximately \$5.9 million disclosed 6 items totaling \$750,000 that did not appear to be valid reconciling items—most of which related to events that occurred after the reconciliation period—and DPP could not adequately support

or explain why they were included in the reconciliation. Furthermore, 338 reconciling items totaling approximately \$105,000 were at least six months old, with many items dating back to fiscal years 2007 and 2008. These conditions made the reconciliation ineffective as a means of ensuring all cash transactions were properly accounted for. Our preceding audit report commented on similar deficiencies with DPP's reconciliations.

Recommendation 1

We recommend that DPSCS adequately reconcile the OBSCIS II cash balance with the balance on the State Comptroller's records. Specifically, we recommend that DPSCS

- a. ensure that a comprehensive supervisory review of the cash balance reconciliation is adequately performed (repeat),**
- b. ensure that all reconciling items are valid and adequately supported (repeat), and**
- c. investigate and resolve differences identified during the reconciliation process in a timely manner (repeat).**

Substance Abuse Treatment Services

Finding 2

DPP did not ensure that it received all deliverables required by its agreement with a local health department for substance abuse treatment services and the agreement did not specify the basis for payment by DPP.

Analysis

DPP did not ensure that it received all deliverables required by its memorandum of understanding (MOU) with a local health department to provide community-based substance abuse treatment services to certain criminal offenders. In addition, the MOU, which was renewed on an annual basis, did not specify the basis for DPP payments to the health department for these services. As a result, there was a lack of assurance that all agreed-upon services were provided and that amounts paid were commensurate with services provided. The MOU for fiscal year 2011 provided for the treatment of approximately 575 offenders and, according to DPP's records, services were provided by 10 providers during fiscal year 2011. Payments to the health department under the MOU totaled approximately \$900,000 during the period February 2010 to October 2011, according to the State's records.

Although the MOU was between DPP and the health department, the health department used an existing vendor to provide the treatment services specified in the MOU. The vendor, in conjunction with DPP, selected and oversaw various individual treatment providers. Although the vendor was not a party to the MOU, the MOU specified certain oversight and reporting responsibilities of the vendor, and was incorporated into the health department's agreement with the vendor. According to the MOU, the vendor was required to visit each provider's treatment site on a monthly basis to monitor the provision of treatment services, and to provide DPP with a monthly site visit report and weekly treatment attendance data. However, these reports were not received by DPP and DPP did not pursue obtaining the reports. Furthermore, the MOU did not specify the basis for determining amounts due from DPP, such as actual costs or fixed fee per treatment session. Although it appears the health department billed DPP based on expenditures incurred by the providers and reported by the vendor, DPP could not adequately explain how the billings were developed.

Recommendation 2

We recommend that DPSCS

- a. ensure that all required MOU deliverables are received; and**
- b. clearly state in future MOUs the basis for amounts due, and ensure that billings reflect this basis and are verified to supporting documentation.**

Audit Scope, Objectives, and Methodology

We have audited the Division of Parole and Probation (DPP) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning December 14, 2009 and ending March 14, 2012. 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 DPP'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; payroll preparation; the collection and disbursement of fines, fees, costs, and restitution; and information systems security and control. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of DPP'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 did not include certain support services provided to DPP by the DPSCS – Office of the Secretary. These support services (such as certain payroll and purchasing transactions, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Office of the Secretary.

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

The response from DPSCS 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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November 29, 2012

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SYSTEMS BOARD

SUNDRY CLAIMS BOARD

INMATE GRIEVANCE OFFICE

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 November 2012 for the Division of Parole and Probation (DPP). The Department appreciates the constructive recommendations that were made as the result of this audit.

I am pleased that the legislative auditors found that the DPP has satisfactorily addressed two of the three findings contained in the preceding audit report dated November 17, 2010.

Please find below the Department's response to the draft audit report findings. The Department has begun, and will continue, to implement corrective action to address the audit findings and will closely monitor the status in order to prevent a repeat audit finding in the next audit.

Cash Balance Reconciliations

Finding 1

The Division of Parole and Probation (DPP) did not adequately reconcile its cash balance of fines, costs, fees, and restitution funds collected and disbursed with the corresponding balance on the State's accounting records.

Recommendation 1

We recommend that DPSCS adequately reconcile the OBSCIS II cash balance with the balance on the State Comptroller's records. Specifically, we recommend that DPSCS

- a. ensure that a comprehensive supervisory review of the cash balance reconciliation is adequately performed (repeat);**
- b. ensure that all reconciling items are valid and adequately supported (repeat); and**
- c. investigate and resolve differences identified during the reconciliation process in a timely manner (repeat).**

We agree. The Department will adequately perform monthly reconciliations of the OBSCIS II cash balance with the balance on the State Comptroller's records. Specifically, the Department will:

- a. ensure that a comprehensive supervisory review of each monthly cash balance reconciliation is adequately performed;
- b. ensure that all reconciling items for each monthly reconciliation are valid and adequately supported; and
- c. investigate and resolve differences identified during the reconciliation process in a timely manner.

Substance Abuse Treatment Services

Finding 2

DPP did not ensure that it received all deliverables required by its agreement with a local health department for substance abuse treatment services, and the agreement did not specify the basis for payment by DPP.

Recommendation 2

We recommend that DPSCS

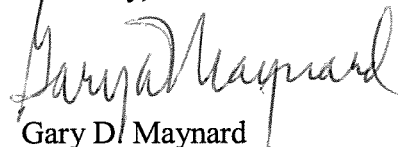
- a. ensure that all required MOU deliverables are received; and
- b. clearly state in future MOUs the basis for amounts due, and ensure that billings reflect this basis and are verified to supporting documentation.

We agree. Effective immediately, the Department will:

- a. ensure that all required MOU deliverables are received; and
- b. ensure that future MOUs clearly state the basis for calculating the amounts due, and that billings reflect this basis and are verified to supporting documentation.

I trust that this response adequately addresses the findings and recommendations 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
Susan D. Dooley, Director, Office of Financial Services, DPSCS
Patricia Moore, Director, Administrative Services, DPSCS
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