

Audit Report

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**Department of Public Safety and Correctional Services**

**Patuxent Institution  
and  
Women's Facilities**

April 2009

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**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

Bruce A. Myers, CPA  
Legislative Auditor

April 9, 2009

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Patuxent Institution and the Women's Facilities (hereinafter referred to collectively as the Institutions) of the Department of Public Safety and Correctional Services for the period beginning November 1, 2005 and ending September 30, 2008. The Institutions comprise maximum and minimum security correctional institutions located in Jessup, Maryland and in Baltimore City.

Our audit disclosed that controls over the processing of cash receipts were not sufficient because initial accountability was not established upon receipt and verifications were not performed to ensure that all collections were deposited. We also noted that Institutions had not established proper internal controls over corporate purchasing cards and payroll. Finally, the Institutions had satisfactorily resolved the eight findings contained in our preceding audit report dated March 15, 2006.

The Department of Public Safety and Correctional Services – Office of the Secretary's response, on behalf of the Institutions, to this audit 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 Institutions.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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## Background Information

### Agency Responsibilities

The Patuxent Institution and the Women's Facilities (the Maryland Correctional Institution for Women and the Pre-Release Unit for Women) are separate budgetary units within the Division of Correction of the Department of Public Safety and Correctional Services, and consist of the following facilities for adult offenders.

Correctional Facilities Covered in This Audit			
Facility	Security Level	Location	Inmate Population as of September 30, 2008
Patuxent Institution	Maximum Security	Jessup, MD	841
Maryland Correctional Institution for Women	Maximum Security	Jessup, MD	819
Pre-Release Unit for Women	Minimum Security	Baltimore City	133
Total			1,793

Source: Institution and Women's Facilities' inmate records

According to the State's records, the Patuxent Institution's expenditures totaled approximately \$47 million during fiscal year 2008. In addition, the Institution's fiscal year 2008 appropriation provided for 524 positions, including 405 correctional officers. Furthermore, the Institution provides payroll and certain financial support services, including cash receipts and disbursement processing, to the Women's Facilities.

According to the State's records, the total Women's Facilities expenditures were approximately \$35.2 million during fiscal year 2008. In addition, the Facilities' fiscal year 2008 appropriation provided for 393 positions, including 296 correctional officers.

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

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated March 15, 2006. We determined that the Institutions had satisfactorily resolved those findings.

## **Findings and Recommendations**

### **Cash Receipts**

#### **Finding 1**

**Controls over cash receipts were not sufficient.**

#### **Analysis**

Controls over the Institutions' cash receipts, which totaled approximately \$1.8 million in fiscal year 2008, were not sufficient. Specifically, cash receipts were not always restrictively endorsed and recorded immediately upon receipt. Instead, cash receipts were often forwarded to and handled by at least one additional individual before these functions were performed. Furthermore, deposit verification procedures had not been established to ensure that all collections were subsequently deposited. Under these conditions, errors or other discrepancies could occur without timely detection.

#### **Recommendation 1**

**We recommend**

- a. that all cash receipts be restrictively endorsed and recorded upon receipt; and**
- b. that the initial record of all cash receipts be verified to validated bank deposit documentation by an employee independent of the collection and deposit functions, and that this verification be documented.**

**We advised the Institutions on accomplishing the necessary separation of duties using existing personnel.**

### **Corporate Purchasing Cards**

#### **Finding 2**

**Adequate controls were not established over corporate purchasing cards.**

#### **Analysis**

The Institutions lacked adequate controls over its corporate purchasing cards. Specifically, we noted the following conditions:

- The employee who ordered new cards for the Institutions from the vendor bank (through the Department of Public Safety and Correctional Services - Office of the Secretary) also received the cards from the Department. Consequently, purchasing cards could be issued to unauthorized employees and discrepancies could occur without timely detection.



- Our test of 64 purchasing card transactions totaling approximately \$81,000 disclosed that, for 61 of the transactions, the Institutions' finance office personnel did not document the reviews performed of the related cardholder activity logs and supporting documentation, as required. For example, the signature of the fiscal officer or designee was missing in many instances.

The Comptroller of the Treasury's *Corporate Purchasing Card Program Policy and Procedures Manual* requires that the employee who requests purchasing cards should not be the employee who receives and distribute the cards. The *Manual* also requires that approved cardholder activity logs, along with documentation for every purchase, be reviewed by the fiscal officer or designee.

According to the State's accounting records, during fiscal year 2008, the Institutions' purchasing card expenditures totaled approximately \$1.1 million. There were 36 cards issued.

## **Recommendation 2**

**We recommend that the Institutions comply with the requirements of the *Corporate Purchasing Card Program Policy and Procedures Manual* by ensuring**

- a. that the employee who requests purchasing cards from the Department not also receive the cards, and**
- b. that the reviews of the cardholder activity logs by the fiscal officer or designee are documented.**

**We advised the Institutions on accomplishing the necessary separation of duties using existing personnel.**

## **Payroll**

### **Finding 3**

**Employee time records were not always signed and a duplicate payment was made to a former employee.**

### **Analysis**

We noted the following conditions related to the Institutions' payroll, which totaled approximately \$57 million during fiscal year 2008:

- Employee time records were frequently not signed by the applicable employee. Our review of 41 time records prepared for the pay period ending May 20, 2008 disclosed that 17 were not signed by the applicable employee, as required by State regulations. Although supervisory personnel signed the

records, it is important that employees also sign the records to provide accountability for recorded time and leave data.

- Our test of 14 payroll adjustments totaling approximately \$102,400 disclosed that the Institutions made a duplicate payment to a retired employee for unused leave. Specifically, the Institutions' records for the pay period ending December 4, 2007 disclosed a payment of \$15,855 for an individual who retired effective November 30, 2007. A duplicate payment was processed for this individual for the pay period ending January 1, 2008. In this instance, the Institutions did not follow the existing procedures for unused leave payments.

### **Recommendation 3**

#### **We recommend**

- a. that all time records be signed by the applicable employee,**
- b. that the existing procedures be reinforced to ensure that future duplicate payments are not made, and**
- c. that the Institutions recover any overpaid amounts regarding the aforementioned retired employee.**

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

We have audited the Patuxent Institution and Women's Facilities of the Department of Public Safety and Correctional Services (referred to as the Institutions) for the period beginning November 1, 2005 and ending September 30, 2008. 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 Institutions' 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Institutions' 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.

The Patuxent Institution provides payroll and certain financial support services to the Women's Facilities. Since these support services represent a significant part of our audit effort with respect to the activities of the Women's Facilities, a combined audit report is being issued.

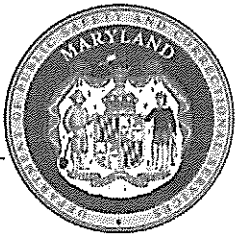
The Institutions' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding 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 Institutions' 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 Institutions that did not warrant inclusion in this report.

The Department of Public Safety and Correctional Services – Office of the Secretary's response, on behalf of the Institutions, 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 Department 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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April 3, 2009

STATE OF MARYLAND

MARTIN O'MALLEY  
GOVERNOR

ANTHONY G. BROWN  
LT. GOVERNOR

GARY D. MAYNARD  
SECRETARY

G. LAWRENCE FRANKLIN  
DEPUTY SECRETARY

DIVISION OF CORRECTION

DIVISION OF PAROLE AND  
PROBATION

DIVISION OF PRETRIAL  
DETENTION AND SERVICES

PATUXENT INSTITUTION

MARYLAND COMMISSION ON  
CORRECTIONAL STANDARDS

CORRECTIONAL TRAINING  
COMMISSION

POLICE TRAINING  
COMMISSION

MARYLAND PAROLE  
COMMISSION

CRIMINAL INJURIES  
COMPENSATION BOARD

EMERGENCY NUMBER  
SYSTEMS BOARD

SUNDRY CLAIMS BOARD

INMATE GRIEVANCE OFFICE

Mr. Bruce A. Myers, CPA  
Legislative Auditor  
Office of Legislative Audits  
Room 1202  
301 West Preston Street  
Baltimore, Maryland 21201

Dear Mr. Myers:

The Department of Public Safety and Correctional Services has reviewed the March 23, 2009, draft audit report of the Patuxent Institution and the Women's Facilities - Maryland Correctional Institution for Women (MCIW) for the period beginning November 1, 2005, and ending September 30, 2008. The Patuxent Institution and MCIW, as well as the Department, acknowledge the importance of each finding and appreciate the constructive recommendations made as a result of this audit.

I am pleased to report that both institutions have made concerted efforts to reduce the number of findings identified by the Legislative Auditors during the performance of their audit as evidenced by the 63% decrease in findings compared to their previous audit (from eight findings to three) and no repeats.

Attached are Director Randall S. Nero's and Warden Brenda Shell's itemized responses to the recommendations found in the audit report, with which I concur. Corrective action has been or will be implemented for all recommendations as noted in this audit report. I trust this responds to your request.

Sincerely,

  
Gary D. Maynard  
Secretary

#### Attachment

c: G. Lawrence Franklin, Deputy Secretary, DPSCS  
Richard Rosenblatt, Assistant Secretary for Treatment Services, DPSCS  
J. Michael Stouffer, Commissioner, DOC  
Randall S. Nero, Ph.D., Director, Patuxent Institution  
Brenda Shell, Warden, MCIW  
Patricia Goins-Johnson, Warden, Patuxent Institution  
Susan Dooley, Director, Office of Financial Services, DPSCS  
Joseph M. Perry, Inspector General, DPSCS  
Carpathia Boston, Chief Fiscal Officer, Patuxent Institution



## Department of Public Safety and Correctional Services

### Patuxent Institution

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STATE OF MARYLAND

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SECRETARY

G. LAWRENCE FRANKLIN  
DEPUTY SECRETARY

RANDALL S. NERO, Ph.D.  
DIRECTOR

April 3, 2009

The Honorable Gary D. Maynard, Secretary  
Department of Public Safety and Correctional Services  
300 E. Joppa Road, Suite 1000  
Towson, MD 21286-3020

Via:

Richard B. Rosenblatt  
Assistant Secretary for Treatment Services  
Department of Public Safety and Correctional Services  
300 E. Joppa Road, Suite 1000  
Towson, MD 21286-3020

Dear Secretary Maynard:

This letter is in response to the Legislative Auditor's report dated March 23, 2009, covering the examination of the records and procedures of Patuxent Institution and the Maryland Correctional Institution for Women from November 1, 2005 and ending September 30, 2008. The corrective actions that will be taken in response to the recommendations of the Legislative Auditors are as follows:

**Finding #1 - Cash Receipts - Controls over cash receipts were not sufficient.**

**We Agree.** Effective February 27, 2009, all collections are restrictively endorsed and recorded upon receipt. In addition, the initial record of cash receipts is provided to the employee responsible for verifying the deposit to the validated bank deposit documentation. This employee is independent of the cash receipt collection and deposit functions. Also, this verification will be documented and retained for audit purposes.

**Finding #2 - Corporate Purchasing Cards - Adequate controls were not established over corporate purchasing cards.**

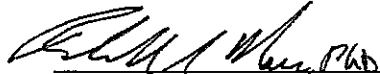
**We Agree.** Effective January 7, 2009, the Department of Public Safety and Correctional Services Corporate Purchasing Card Procedures Manual was revised to preclude the employee who orders cards from receiving and distributing the cards.

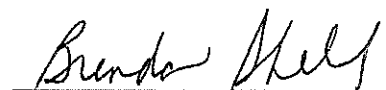
In addition, the employee who receives the cards will verify, before distribution, that the cards have been authorized in accordance with the Corporate Purchasing Card Program Policy and Procedures Manual. The cardholder's supervisor will review the cardholder's activity log and related documentation. Upon completion of the supervisor's review and within ten (10) business days of the statement date, the related documentation for all transactions shall be forwarded to the agency fiscal officer. The fiscal officer or designee shall reconcile the monthly detail for corporate purchasing card transactions in R\*STARS. All reviews by the fiscal officer or designee will be documented and retained for audit purposes.

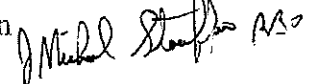
**Finding #3 – Payroll - Employee time records were not always signed, and a duplicate payment was made to a former employee.**

**We Agree.** Effective March 18, 2009, all time records are being signed by the applicable employee. The Institution has determined how this duplicate disbursement occurred and procedures have been reinforced to prevent this from reoccurring. This was a one-time, isolated incident, and the Institution is in the process of recovering the second disbursement from the retiree.

Sincerely,

  
Randall S. Nero, Ph.D.  
Director  
Patuxent Institution

  
Brenda Shell, Warden  
Maryland Correctional Institution for Women

cc: G. Lawrence Franklin, Deputy Secretary for Administration  
J. Michael Stouffer, Commissioner, Division of Correction   
Susan D. Dooley, Director, Office of Financial Services, DPSCS  
Joseph M. Perry, Inspector General, Office of the Inspector General, DPSCS  
Kevin Patten, Deputy Director, Office of Financial Services, DPSCS  
Patricia A. Moore, Director of Finance, Division of Correction  
Patricia Goins-Johnson, Warden, Patuxent Institution  
Carpathia Boston, Chief Fiscal Officer, Patuxent Institution and Maryland  
Correctional Institution for Women

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