

Audit Report

**Department of Public Safety and Correctional Services
Western Maryland Region**

October 2008



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

October 16, 2008

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

Ladies and Gentlemen:

We have audited the Western Maryland Region of the Department of Public Safety and Correctional Services, which comprises the Western Correctional Institution and the North Branch Correctional Institution, for the period beginning September 6, 2005 and ending April 13, 2008.

Our audit disclosed that the Region did not have adequate controls over its cash receipts, materials and supplies, and vendor payments. For example, the Region did not periodically account for pre-numbered cash receipts forms as to issued, voided and on-hand.

The Department of Public Safety and Correctional Services' response to this audit, on behalf of the Region, 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 Region.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The Western Maryland Region is a separate budgetary unit within the Division of Corrections of the Department of Public Safety and Correctional Services and consists of two facilities for adult male offenders.

Facilities Within the Division of Correction's Western Maryland Region			
Facility	Security Level	Location	Inmate Population as of March 31, 2008
Western Correctional Institution	Medium Security	Cumberland, MD	1,714
North Branch Correctional Institution	Maximum Security	Cumberland, MD	579
Total			2,293

According to the State's records, the Region's expenditures totaled approximately \$63 million during fiscal year 2007. In addition, the Region's fiscal year 2008 appropriation provided for 967 positions, including 750 correctional officers. The Western Correctional Institution is accredited by the American Correctional Association's Commission on Accreditation for Corrections.

Status of Findings From Preceding Audit Report

We reviewed the status of the one finding from our preceding audit report dated February 15, 2006. We determined that the Region satisfactorily addressed that finding.

Findings and Recommendations

Cash Receipts

Finding 1

The Region lacked adequate controls over cash receipts.

Analysis

The Region lacked adequate controls over cash receipts. Specifically, while collections were recorded on pre-numbered cash receipt forms, the Region did not periodically account for these forms as to issued, voided, and on hand. As a result, recorded cash receipts could be misappropriated and not timely detected. According to the State's accounting records, the Region's cash receipts totaled approximately \$2.2 million during fiscal year 2007, and consisted primarily of funds received on behalf of inmates.

The Comptroller of the Treasury's *Accounting Procedures Manual* requires that there should be an accounting for the numerical sequence of pre-numbered cash receipt forms as to issued, voided, and on hand.

Recommendation 1

We recommend that the Region periodically account for all pre-numbered cash receipts forms as to issued, voided, and on-hand.

Materials and Supplies

Finding 2

Controls over the Region's materials and supplies were inadequate.

Analysis

Controls over the Region's materials and supplies were inadequate. We noted the following conditions:

- For the two institutions, copies of completed requisition forms were not provided to employees who received inmate and officer clothing items. This occurred because the Region used a two-copy requisition form when issuing these items rather than the required three-copy form, which was used for other issuances. Furthermore, the storeroom custodian controlled both copies of the form prior to forwarding one copy to the employee who maintained the related inventory records. As a result, the storeroom custodian could alter the

requisitions after the issuance of the related goods and misappropriate items from the storeroom without detection.

- For issuances that used the three-copy requisition form, since September 2007, the Region had not compared copies of completed requisition forms used to post its perpetual inventory records to the related requisition forms signed by employees who received the goods.

The Department of General Services' *Inventory Control Manual* requires that a copy of the completed requisition form be retained by the employee receiving the goods. The *Manual* also requires that the record keeper compare, at least on a test basis, copies of requisition forms used to post the perpetual inventory records with those forms retained by the employee who received the goods.

According to the State's records, during fiscal year 2007, the Region's expenditures for materials and supplies totaled approximately \$3.8 million, including \$400,000 for inmate and officer clothing.

Recommendation 2

We recommend that the Region comply with the applicable requirements of the Department of General Services' *Inventory Control Manual*.

Disbursement Processing

Finding 3

Vendor invoices were not adequately reviewed prior to payment.

Analysis

The Region did not adequately control disbursements made via the State's Financial Management Information System (FMIS). Specifically, the employee who approved vendor invoices and released the related disbursement transactions to the Comptroller of the Treasury - General Accounting Division for payment did not ensure that any of the related goods or services were received by reviewing supporting documentation (such as a receiving report). Consequently, improper vendor payments could be made and not timely detected.

According to State's accounting records, during fiscal year 2007, the Region used FMIS to process disbursements totaling approximately \$7.5 million.

Recommendation 3

We recommend that the disbursement approval process include a review of supporting documentation, at least on a test basis.

Corporate Purchasing Cards

Finding 4

The Region lacked adequate procedures for the issuance of corporate purchasing cards.

Analysis

The Region lacked adequate procedures for the issuance of its corporate purchasing cards. Specifically, the employee who requested purchasing cards from the Department of Public Safety and Correctional Services also received the cards from the Department and distributed the cards to the applicable employees. Consequently, purchasing cards could be inappropriately issued and used to make unauthorized purchases.

According to its records, as of April 2008, the Region had 13 active corporate purchasing cards and, during fiscal year 2007, made related purchases totaling approximately \$1 million.

The Comptroller of the Treasury's *Corporate Purchasing Card Program Policy and Procedures Manual* requires that the employee who requests the purchasing cards should not also receive and distribute the cards. To provide effective control at the Region, the employee who requests the cards from the Department should not also receive the cards for distribution.

Recommendation 4

We recommend that the Region employee who requests purchasing cards from the Department not also receive and distribute the cards. We advised the Region on accomplishing the necessary separation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have audited the Department of Public Safety and Correctional Services – Western Maryland Region for the period beginning September 6, 2005 and ending April 13, 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 State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Region's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the finding included 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 Region'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.

The Region'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 findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Region's 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 Region that did not warrant inclusion in this report.

The response from the Department of Public Safety and Correctional Services, on behalf of the Region, 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 Region 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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October 10, 2008

STATE OF MARYLAND

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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 September 29, 2008, draft audit report of the Western Maryland Region which comprises the Western Correctional Institution (WCI) and the North Branch Correctional Institution (NBIC) for the period beginning September 6, 2005, and ending April 13, 2008. The Division of Correction (DOC), as well as the Department, acknowledges the importance of each finding, appreciates the constructive recommendations made as a result of this audit, and has taken steps to implement the recommendations with which the Department agrees.

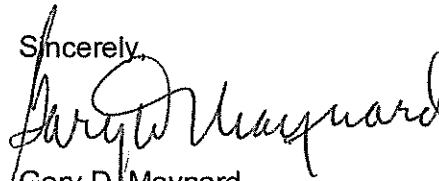
It should be noted that during this audit period there have been significant initiatives by the Western Maryland Region that were designed to improve customer service to Maryland's citizens by increasing economy and efficiency, creating safer communities, and enhancing its relationships with local governments and other stakeholders that share a mutual vision. The Department is proud of the Region's efforts to achieve excellence and of its record of accomplishments. Some significant recent accomplishments/initiatives include:

- WCI has partnered with the Allegany College of Maryland (ACM) to provide space and support for staff training. Training includes pre-service, in-service (40 hours per staff), the Correctional Academy, and coursework leading to an Associates degree in Law Enforcement. The Correctional Academy provides entry-level training for correctional staff of Allegany, Washington, and Garrett Counties. Additionally, ACM sponsored two sessions on "Interview and Interrogation Techniques" and "Detecting Deceptive Behavior" for correctional and law enforcement staff. Expansion of additional classes, as well as developing training in the areas of "Correctional Communication" and "Dealing with Mental Health Inmates," is ongoing.

- WCI has expanded its community projects to include three inmate road crews for Allegany County and one inmate road crew for Garrett County in cooperation with the Maryland State Highway Administration (SHA). This is a cost savings for the SHA and provides additional jobs for the inmate population.
- The WCI greenhouse provides a laboratory for a University of Maryland Master Gardener Certificate program. The inmate participants are responsible for planting and growing a number of different flowers, shrubs, grasses, and trees that are provided, at no cost, to various local community beautification projects. In addition, WCI has developed a tree farm for future plantings to assist with preserving the environment, and inmates are utilized in planting the trees on public grounds.
- Although NBCI is in its infancy of operation, the Education Department is now staffed and is operating on a daily school schedule. The curriculum is structured to meet the educational needs of both basic and special education students. A computer lab is also available to teach the students the skills of ever-advancing technology functions.
- One of NBCI's housing units is a segregation unit that also houses the institution's Behavior Management Program (BMP). The BMP is a structured program to aid inmates in the development of life skills to help them obtain a less restrictive environment within the institution. The focus of this program is on inappropriate behavior that has not worked in the past, and teaching cognitive, social, and behavior skills that provide inmates the tools necessary to succeed.

Attached is Commissioner J. Michael Stouffer's response to the draft audit report, with which I concur. I trust that this responds to your request. If you have any questions concerning this correspondence, please contact me.

Sincerely,



Gary D. Maynard
Secretary

Attachment

c: G. Lawrence Franklin, Deputy Secretary, DPSCS
J. Michael Stouffer, Commissioner, DOC
Jon P. Galley, Assistant Commissioner, DOC
Bobby Shearin, Warden, DOC - WCI
John A. Rowley, Warden, DOC - NBCI
Susan D. Dooley, Director, Office of Financial Services, DPSCS
Joseph M. Perry, Inspector General, DPSCS



Department of Public Safety and Correctional Services

Division of Correction

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G. LAWRENCE FRANKLIN
DEPUTY SECRETARY

October 9, 2008

DIVISION OF CORRECTION

J. MICHAEL STOUFFER
COMMISSIONER

EASTERN
CORRECTIONAL
INSTITUTION

JESSUP CORRECTIONAL
INSTITUTION

MARYLAND CORRECTIONAL
ADJUSTMENT CENTER

MARYLAND CORRECTIONAL
ENTERPRISES

MARYLAND CORRECTIONAL
INSTITUTION-HAGERSTOWN

MARYLAND CORRECTIONAL
INSTITUTION-JESSUP

MARYLAND CORRECTIONAL
INSTITUTION FOR WOMEN

MARYLAND
CORRECTIONAL
PRE-RELEASE SYSTEM

MARYLAND
CORRECTIONAL
TRAINING CENTER

MARYLAND RECEPTION,
DIAGNOSTIC AND
CLASSIFICATION CENTER

METROPOLITAN
TRANSITION CENTER

NORTH BRANCH
CORRECTIONAL
INSTITUTION

ROXBURY
CORRECTIONAL
INSTITUTION

WESTERN
CORRECTIONAL
INSTITUTION

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

Dear Secretary Maynard,

The following is the Division of Correction's (DOC) response to the Western Maryland Region's Legislative Audit draft report dated September 29, 2008 for the period beginning September 6, 2005 and ending April 13, 2008. The Region will aggressively pursue implementation of the agreed upon recommendations made by the Legislative Auditor and responds as follows:

Finding #1 – The Region lacked adequate internal controls over cash receipts.

Agree: Effective July 1, 2008, all pre-numbered cash receipt forms, issued, voided and on-hand are being accounted for periodically.

Finding #2 – Controls over the Region's materials and supplies were inadequate.

Agree: Three-part requisition forms will be utilized to document and account for the withdrawals of all materials and supplies. A periodic comparison will be done, on a test basis, of the requisition copies used to post the perpetual inventory records with the copies signed by the employee/inmate who received the related goods. Because a new clothing room requisition form must be developed and printed, it is anticipated that this recommendation will be fully implemented by January 1, 2009.

Finding #3 – Vendor invoices were not adequately reviewed prior to payment.

Agree: Effective September 1, 2008, the disbursement approval process includes a review of the supporting documentation on a test basis.

Finding #4 - The Region lacked adequate procedures for the issuance of corporate purchasing cards.

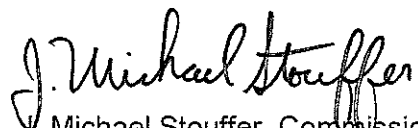
Disagree: The Region is in full compliance with the Comptroller of the Treasury's *Corporate Purchasing Card Program Policy and Procedures Manual*, and adequate procedures have been established for the issuance of corporate purchasing cards. Specifically, there are at least five employees involved in the issuance of a corporate purchasing card to an employee of this department, as follows:

1. The request is initiated and signed by the applicant cardholder,
2. The request is approved and signed by the fiscal officer,
3. The request is approved and signed by the managing officer or warden,
4. The Director of Procurement in the Office of the Secretary is the Procurement Card Program Administrator (PCPA) for the entire Department who submits the cardholder information electronically via the computer system used by the card vendor for issuance of the card, and
5. An employee in the Office of the Secretary initially receives the card from the card vendor.

In addition, we do not believe that better control would be provided if someone other than the fiscal officer received the cards from the Office of the Secretary because it is the responsibility of the fiscal officer to monitor the issuance of cards and to maintain accurate and complete records of the individual cardholders responsible for each card issued to his/her agency(s).

Please advise if you have any questions about the Division's responses to the audit report.

Sincerely,

A handwritten signature in black ink that reads "J. Michael Stouffer". The signature is written in a cursive, flowing style.

J. Michael Stouffer, Commissioner
Division of Correction

Cc: G. Lawrence Franklin, Deputy Secretary, DPSCS
Jon P. Galley, Assistant Commissioner, Western MD Region
Bobby Shearin, Warden, Western Correctional Institution
John A. Rowley, Warden, North Branch Correctional Institution
Patricia Moore, Director of Finance, DOC
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