

Audit Report

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**Department of Public Safety and  
Correctional Services**

**Maryland Correctional Pre-Release System**

June 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

June 8, 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 Maryland Correctional Pre-Release System (MCPRS) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning December 20, 2005 and ending December 23, 2008. MCPRS includes a headquarters unit located in Jessup, Maryland, and several minimum security and pre-release facilities for adult male offenders located throughout the State.

Our audit disclosed that improvements were needed to increase controls over cash receipts, payroll, certain purchases, and materials and supplies. For example, deposit verifications were not always performed by employees independent of the cash receipts process.

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

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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

## Background Information

### Agency Responsibilities

The Maryland Correctional Pre-Release System (MCPRS) is a separate budgetary unit within the Division of Correction of the Department of Public Safety and Correctional Services. MCPRS consists of an administrative headquarters unit located in Jessup, Maryland, and several minimum security and pre-release facilities for adult male offenders located throughout the State. The objective of MCPRS is to provide inmates the opportunity for successful re-entry into the community through various programs such as work release and community work details.

Maryland Correctional Pre-Release System Facilities			
Facility	Security Level	Location	Inmate Population as of December 31, 2008
Brockbridge Correctional Facility	Minimum Security	Jessup, MD	640
Central Laundry Facility	Minimum Security	Sykesville, MD	510
Toulson Boot Camp	Minimum Security	Jessup, MD	384
Jessup Pre-Release Unit	Pre-Release	Jessup, MD	591
Eastern Pre-Release Unit	Pre-Release	Church Hill, MD	178
Southern Maryland Pre-Release Unit	Pre-Release	Charlotte Hall, MD	175
Other <sup>1</sup>	Pre-Release	Various	10
<b>Total</b>			<b>2,488</b>

<sup>1</sup> MCPRS contracts with the Montgomery County Pre-Release Center and the Cecil County Pre-Release Center to house inmates.

According to the State's records, MCPRS expenditures totaled approximately \$75.8 million during fiscal year 2008. MCPRS fiscal year 2009 appropriations provided for 707 positions, including 518 correctional officers.

### Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the five findings contained in our preceding audit report dated June 16, 2006. We determined that MCPRS satisfactorily addressed three of the findings. The remaining two findings are repeated in this report.

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

**Adequate internal controls had not been established over cash receipts, and collections were not always deposited and recorded timely in the State's records.**

#### **Analysis**

MCPRS had not established adequate internal controls over cash receipts, and did not always deposit and record collections timely. According to the State's accounting records, collections totaled approximately \$3.6 million during fiscal year 2008. Our review disclosed the following conditions:

- Deposit verifications were not always performed by employees independent of the cash receipts process. Specifically, the deposit verifications for inmate fund and telephone commission collections were performed by employees that had access to the related collections. Inmate fund and telephone commission collections during fiscal year 2008 totaled approximately \$1.8 million and \$800,000, respectively.
- Our test of 20 deposits made during fiscal years 2008 and 2009 totaling approximately \$113,800 disclosed that seven deposits totaling approximately \$60,400 were made four to nine days after the related collections were received. Additionally, 18 deposits totaling approximately \$108,600 were not recorded in the State's Financial Management Information System (FMIS) until three to eight business days after the deposits were made.

The Comptroller of the Treasury's *Accounting Procedures Manual* requires a reconciliation of recorded collections to amounts deposited by an employee independent of the cash receipts function. The *Manual* further requires that receipts must be deposited no later than the first working day after the day of receipt, and that cash receipts be recorded in FMIS within two business days of the deposit. Untimely deposits increase the possibility of loss or misappropriation of collections and results in a loss of investment income to the State.

#### **Recommendation 1**

##### **We recommend**

- a. that an employee independent of the cash receipts function verify that all recorded collections were subsequently deposited, and that such verifications be documented; and

- b. that MCPRS deposit and record collections in FMIS timely, as required by the *Accounting Procedures Manual*.

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

## Payroll

### **Finding 2**

**Supervisory personnel who approved time reports did not review supporting documentation for overtime adjustments.**

#### **Analysis**

Proper internal control had not been established over MCPRS payroll adjustments. Specifically, the supervisory employee who approved the payroll exception time reports did not review documentation (such as timecards) supporting adjustments for overtime earnings recorded on the reports. Without verifying the propriety of overtime payroll adjustments, errors and unauthorized adjustments could be processed without detection.

According to the State's accounting records, payroll expenditures for regular MCPRS employees totaled approximately \$44.4 million during fiscal year 2008, including employee overtime payments totaling approximately \$4 million.

### **Recommendation 2**

**We recommend that supervisory personnel review, at least on a test basis, documentation supporting adjustments for overtime earnings recorded on the electronic payroll exception time reports, and that such reviews be documented.**

## Purchases and Disbursements

### **Finding 3**

**Proper internal controls had not been established over the processing of certain purchasing transactions.**

#### **Analysis**

MCPRS did not fully use the available security features of the State's Financial Management Information System (FMIS) to establish proper internal control over purchases. Specifically, six Department of Public Safety and Correctional Services – Office of the Secretary employees could both initiate and approve



certain purchasing transactions without being subject to independent online review and approval. In addition, two of these employees could add vendors to the system. As a result, unauthorized transactions could be processed which may not be readily detected.

According to the State's accounting records, during fiscal year 2008, MCPRS used FMIS to process disbursements totaling approximately \$14.4 million. A similar condition has been commented upon in our four preceding audit reports dating back to 1997.

### **Recommendation 3**

**We again recommend that MCPRS fully use the available FMIS security features by establishing independent on-line approval requirements for all critical purchasing transactions.**

### **Finding 4**

**MCPRS did not always follow State Procurement Regulations for the procurement of goods and services, and a duplicate payment in the amount of \$12,760 was made to a vendor.**

### **Analysis**

MCPRS did not always follow State Procurement Regulations, and a duplicate payment in the amount of \$12,760 was made to one vendor. Specifically our test of 10 disbursements, totaling approximately \$143,300, made during fiscal years 2007 to 2009, and the related procurements, disclosed the following conditions:

- MCPRS did not obtain approval from the Board of Public Works (BPW) for the sole source procurement of security scanners totaling \$80,000. Furthermore, MCPRS did not publish notification of this procurement in *eMaryland Marketplace*. State Procurement Regulations require that sole source procurements of goods costing up to \$50,000 be approved by the Department of General Services, and that such procurements over that amount be approved by BPW. Those Regulations also require that sole source procurements over \$25,000 be published.
- Even though MCPRS had established invoice payment procedures that required, for example, that original invoices be approved by independent supervisory personnel, we noted that a duplicate payment totaling \$12,760 occurred. In this regard, MCPRS paid an invoice, related to the June 2008 housing of Division of Correction inmates at a county pre-release center, in both July 2008 and August 2008. MCPRS management personnel were

unable to explain how this duplicate payment occurred and were unaware of it until we brought it to their attention in March 2009. To recover the overpayment, we noted that MCPRS reduced the amounts of subsequent payments to this entity.

#### **Recommendation 4**

##### **We recommend**

- a. that, in the future, MCPRS comply with State Procurement Regulations by obtaining the required control agency approvals for sole source procurements of goods and by publishing such awards in the *eMaryland Marketplace*; and**
- b. that MCPRS reinforce its invoice payment procedures to prevent duplicate payments.**

## **Materials and Supplies**

#### **Finding 5**

**Procedures and controls over MCPRS materials and supplies inventories at certain locations were inadequate.**

#### **Analysis**

MCPRS had not established proper internal controls over materials and supplies at certain locations. MCPRS maintains a central warehouse as well as a storeroom at each of its six units. According to the State's accounting records, MCPRS expenditures for materials and supplies during fiscal year 2008 totaled approximately \$4.7 million. As of June 30, 2008, the book value of the materials and supplies for the central warehouse and the six storerooms reported to the Department of General Services totaled approximately \$1.5 million. Our review of the central warehouse and one storeroom, whose combined book value totaled approximately \$693,000 at that date, disclosed the following conditions:

- Requisition forms for goods issued from the central warehouse could be altered allowing additional items to be removed from stock by the storeroom custodians without detection. Specifically, the requisition forms used to record withdrawals to the inventory records were not compared to the copies of the forms signed by the employees who received the supplies. A similar condition was commented upon in our preceding audit reports dating back to 1990.

- The fiscal year 2008 physical inventory for the storeroom tested was not adequate. Specifically, certain inventories (such as housekeeping and maintenance supplies) were conducted by the custodians of the inventories. Furthermore, although MCPRS management personnel advised us that the results of the physical inventory for this storeroom were reconciled to the perpetual inventory records, there was no documentation available to substantiate this assertion.

The Department of General Services' *Inventory Control Manual* requires that the inventory record keeper compare copies of completed requisitions forms, and that the duties of inventory record keeping, inventory custody, and conducting physical inventories be segregated. The *Manual* also requires that the results of the physical inventory be compared to the perpetual inventory records and that differences identified be investigated.

#### **Recommendation 5**

**We recommend that MCPRS comply with the requirements of the Department of General Services' *Inventory Control Manual*. Specifically, we recommend**

- a. that the inventory clerk compare, at least on a test basis, the requisition copies received for inventory postings to the copies provided to the employees receiving the goods (repeat);**
- b. that physical inventories be performed by employees who are independent of physical custody responsibilities; and**
- c. that the reconciliations of the physical inventories to the perpetual inventory records be documented and retained for future reference.**

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

We have audited the Maryland Correctional Pre-Release System (MCPRS) for the period beginning December 20, 2005 and ending December 23, 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 MCPRS'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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MCPRS'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.

MCPRS'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 the 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 related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MCPRS's ability to maintain reliable financial records, operate effectively and efficiently, and comply with applicable laws, rules, and regulations. This report also includes conditions relating to significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MCPRS that did not warrant inclusion in this report.

The Department of Public Safety and Correctional Services' response to our findings and recommendations, on behalf of MCPRS, 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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June 2, 2009

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LT. GOVERNOR

GARY D. MAYNARD  
SECRETARY

G. LAWRENCE FRANKLIN  
DEPUTY SECRETARY

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PROBATION

DIVISION OF PRETRIAL  
DETENTION AND SERVICES

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CORRECTIONAL STANDARDS

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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 April 30, 2009, Draft Audit Report of the Division of Correction's (DOC) Maryland Correctional Pre-Release System (MCPRS) for the period beginning December 20, 2005, and ending December 23, 2008. The Department acknowledges the importance of each finding, appreciates the constructive recommendations, and has taken steps to address the recommendations.

It should be noted that during this audit period, there have been significant initiatives by the MCPRS that were designed to improve customer service to Maryland's citizens by creating safer communities, safeguarding the environment, and enhancing relationships with local governments and other stakeholders that share a mutual vision. Some significant initiatives of the MCPRS include:

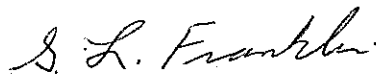
- ◆ MCPRS continues to provide inmate labor to the Maryland Correctional Enterprises (MCE), the Maryland Department of Public Works, the Maryland State Police (MSP), the Maryland Department of Natural Resources (DNR), and Maryland Veterans Cemeteries. MCPRS also provides State Highway Administration (SHA) labor details to several counties throughout Maryland. MCPRS also continues to provide educational programs and employment readiness workshops to assist inmates upon their release.
- ◆ The Central Maryland Correctional Facility (CMCF), formerly the Central Laundry Facility, inmates provide laundry services for State correctional facilities, the Baltimore City Detention Center and Springfield State Hospital. CMCF provides inmate labor for the Garrison Forrest Veterans Cemetery. CMCF also provided inmate labor to construct the Department's first Thoroughbred Retirement Farm (TRF), which will enable inmates to learn how to care for retired race horses.
- ◆ The Southern Maryland Pre-Release Unit (SMPRU) has partnered with the Charles County Sheriff's Department, the MSP, and the Maryland Transportation Authority (MTA) to permit them to utilize SMPRU's weapons and range for their training. This cooperative agreement with the police agencies saves Maryland taxpayers thousands of dollars for law enforcement training. SMPRU inmates have also planted over 38,000 trees for DNR, are

scheduled to work with DNR on the Piney Point Oyster Shell project, and provide inmate labor at Cheltenham Veterans Cemetery.

- ◆ The Brockbridge Correctional Facility (BCF) provides inmate labor for the Crownsville Veterans Cemetery. BCF inmate labor was also used for the brick restoration project, which is restoring bricks for re-use in state and city projects. BCF works in unison with the DOC, the Social Security Administration, and the Department of Mental Health and Hygiene - Vital Records to provide inmates with Maryland State identification, which assists the inmates in obtaining housing, employment, and other needed services upon their release to the community.
- ◆ The Eastern Pre-Release Unit (EPRU) inmates are building homes with Caroline County's Habitat for Humanity, are maintaining the grounds at the Spring Hill Cemetery, and laying sod at athletic fields at high schools in Queen Anne's and Kent Counties. The EPRU inmates have also planted over 13,900 trees for the SHA, DNR, and the Forestry Service.
- ◆ The Jessup Pre-Release Unit (JPRU) inmates, working in partnership with DNR, planted 3,700 trees in Patapsco Valley State Park.
- ◆ The Herman L. Toulson Boot Camp (HLTBC) inmates worked with Montgomery County's Habitat for Humanity building and refurbishing houses, completed a brick restoration project, and provided inmate work details for the State House in Annapolis, SHA, and MSP. HLTBC inmates are currently restoring the Mt. Auburn Cemetery, and also the Bea Gaddy Foundation to help the homeless.

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

Sincerely,



G. Lawrence Franklin  
Acting Secretary

Attachment

c: J. Michael Stouffer, Commissioner, DOC  
Susan D. Dooley, Director, Office of Financial Services, DPSCS  
Kevin Patten, Deputy Director, Office of Financial Services, DPSCS  
Gary Hombaker, Assistant Commissioner, DOC  
William O. Filbert, Jr., Warden, MCPRS  
Patricia A. Moore, Director of Finance, DOC  
Amie L. Smith, Fiscal Services Chief, MCPRS  
Joseph M. Perry, Inspector General, DPSCS



## Department of Public Safety and Correctional Services

### Division of Correction Maryland Correctional Pre-Release System

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SECRETARY

G. LAWRENCE FRANKLIN  
DEPUTY SECRETARY

June 2, 2009

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

DIVISION OF CORRECTION

J. MICHAEL STOFFER  
COMMISSIONER

GARY HORNBAKER  
ASSISTANT COMMISSIONER

MARYLAND CORRECTIONAL  
PRE-RELEASE SYSTEM

WILLIAM O. FILBERT, JR.  
WARDEN

DWIGHT P. JOHNSON  
ASSISTANT WARDEN

Via

Mr. J. Michael Stouffer, Commissioner  
Division of Correction  
6776 Reisterstown Road, Suite 300  
Baltimore, Maryland 21215-2342

Dear Secretary Maynard:

Attached are the responses to the draft Legislative Audit report dated April 30, 2009 covering the examination of the accounts and records of the Maryland Correctional Pre-Release System (MCPRS) for the period beginning December 20, 2005 and ending December 23, 2008. MCPRS will aggressively pursue implementation of the agreed upon recommendations.

**Finding # 1** – Adequate internal controls had not been established over cash receipts, and collections were not always deposited and recorded timely in the State's records.

**We agree.** Effective March 30, 2009, employees who are independent of the cash receipts function are verifying that all recorded collections are deposited, and that the verifications are documented and retained for audit purposes. Also, effective March 30, 2009, collections are deposited and recorded in FMIS in a timely manner, as required by the Comptroller of the Treasury's *Accounting Procedures Manual*.

**Finding #2** – Supervisory personnel who approved time reports did not review supporting documentation for overtime adjustments.

**We agree.** Effective April 2009, Central Payroll supervisory personnel review, on a test basis, documentation supporting payroll adjustments for overtime earnings contained in the payroll exception time reports. These reviews are documented and retained for audit purposes.



June 2, 2009  
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**Finding #3** – Proper internal controls had not been established over the processing of certain purchasing transactions.

**We agree.** Based upon recent discussions with the Office of Legislative Audits, the Department has (effective April, 2009) fully used the available Financial Management Information System (FMIS) security features to establish independent on-line approval requirements for all Office of the Secretary employees involved in critical purchasing transactions pertaining to MCPRS.

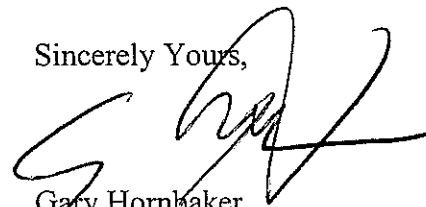
**Finding #4** – MCPRS did not always follow State Procurement Regulations for the procurement of goods and services, and a duplicate payment in the amount of \$12,760 was made to a vendor.

**We agree.** Effective immediately, MCPRS will comply with the State Procurement Regulations by obtaining the required control agency approvals for sole source procurements of goods and will publish the notification of award in the eMaryland Marketplace. Effective April 15, 2009, invoice payment procedures have been reinforced to ensure that duplicate payments do not occur. The referenced overpayment was fully recovered in April 2009.

**Finding #5** – Procedures and controls over MCPRS materials and supplies inventories at certain locations were inadequate.

**We agree.** MCPRS will comply with the requirements of the Department of General Services' *Inventory Control Manual*. Effective March 30, 2009, the inventory clerk compares on a test basis, the requisition copies received for inventory postings to the copy provided to the employees receiving the goods. In addition, effective June 2009 (the next inventory cycle), the physical inventory will be performed by employees who do not have custody of the inventory. Lastly, the reconciliation of the physical inventory to the perpetual inventory records will be documented and retained for audit purposes.

Sincerely Yours,



Gary Hornbaker,  
Assistant Commissioner  
Division of Correction

cc: G. Lawrence Franklin, Deputy Secretary, DPSCS  
Susan D. Dooley, Director of Financial Services, DPSCS  
Joseph M. Perry, Inspector General, DPSCS  
Kevin Patten, Deputy Director of Financial Service, DPSCS  
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