

Audit Report

Department of Public Safety and Correctional Services

Jessup Region

February 2007



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

-
- This report and any related follow-up correspondence are available to the public through the Office of Legislative Audits at 301 West Preston Street, Room 1202, Baltimore, Maryland 21201. The Office may be contacted by telephone at 410-946-5900, 301-970-5900, or 1-877-486-9964.
 - Electronic copies of our audit reports can be viewed or downloaded from our website at <http://www.ola.state.md.us>.
 - Alternate formats may be requested through the Maryland Relay Service at 1-800-735-2258.
 - The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at 410 946-5400 or 301-970-5400.
-



Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

February 16, 2007

Delegate Charles E. Barkley, Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Jessup Region of the Department of Public Safety and Correctional Services, which comprises the Maryland House of Correction, the Jessup Correctional Institution, and the Maryland Correctional Institution – Jessup, for the period beginning November 5, 2003 and ending August 20, 2006.

Our audit disclosed that improvements were needed to increase controls over cash receipts, equipment, materials and supplies, inmate funds, and payroll.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Table of Contents

Background Information	4
Agency Responsibilities	4
Current Status of Findings From Preceding Audit Report	4
Findings and Recommendations	5
Cash Receipts	
Finding 1 – Adequate Controls Had Not Been Established to Ensure That Recorded Collections Were Subsequently Deposited	5
Equipment	
Finding 2 – Equipment Records Were Not Adequately Maintained and Physical Inventories Were Not Completed, as Required	5
Materials and Supplies	
* Finding 3 – Storeroom Record Keeping and Inventory Procedures Were Deficient	7
Inmate Funds	
* Finding 4 – The Region Had Not Established Proper Internal Controls Over Inmate Fund Disbursements	8
Payroll	
* Finding 5 – Certain Types of Adjustments Were Not Subject to Supervisory Review, and Reviews of Overtime Adjustments Were Not Performed Timely	9
Audit Scope, Objectives, and Methodology	10
Agency Response	Appendix

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

Background Information

Agency Responsibilities

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

Facilities Within the Division of Correction's Jessup Region		
Facility	Security Level	Inmate Population as of August 20, 2006
Maryland House of Correction	Maximum Security	1,021
Jessup Correctional Institution	Maximum Security	1,175
Maryland Correctional Institution – Jessup	Medium Security	977
Total		3,173

According to the State's records, total Region expenditures were approximately \$107 million during fiscal year 2006. In addition, the Region's fiscal year 2007 appropriations provided for 1,240 positions, including 970 correctional officers.

On May 3, 2006, the Board of Public Works authorized changing the name of the Maryland House of Correction – Annex to the Jessup Correctional Institution.

Current Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of the five findings contained in our preceding audit report dated April 8, 2004. We determined that the Region satisfactorily addressed two of these findings. The remaining three findings are repeated in this report.

Findings and Recommendations

Cash Receipts

Finding 1

Adequate controls had not been established to ensure that recorded collections were subsequently deposited.

Analysis

The Region had not established adequate internal controls to ensure that recorded collections were subsequently deposited. Specifically, collections initially recorded on pre-numbered cash receipt forms and cash receipt logs were not verified to validated deposit slips. Rather, recorded collections were compared to the certificates of deposit before the deposits were made, and such comparisons were not documented. In addition, pre-numbered receipt forms were not periodically accounted for as to issued, voided, or on hand by an employee independent of the cash receipts function. Consequently, collections could be misappropriated without detection. According to the State's accounting records, amounts deposited by the Region totaled approximately \$2.4 million during fiscal year 2006, and consisted primarily of funds received on behalf of inmates.

Recommendation 1

We recommend that an employee independent of the cash receipts function verify collections recorded on pre-numbered cash receipt forms and cash receipt logs to the validated deposit slips, and that such verifications be documented. We also recommend that this employee periodically account for the pre-numbered receipt forms as to issued, voided, and on hand. We advised the Region on accomplishing the necessary separation of duties using existing personnel.

Equipment

Finding 2

Equipment records were not adequately maintained and physical inventories were not completed, as required.

Analysis

The Region did not adequately maintain records for equipment, and had not completed physical inventories of equipment in accordance with the requirements of the Department of General Services (DGS) *Inventory Control Manual*. As of

June 30, 2006, the book value of the Region's equipment, as reported to DGS, totaled approximately \$6.8 million. Specifically, we noted the following conditions:

- As of October 2006, no postings had been made to the equipment control account for one institution since August 2004. In addition, adjustments totaling approximately \$721,000, made to the control accounts maintained for the other two institutions, were not supported or approved by appropriate supervisory personnel.
- Physical inventories of equipment at two institutions had not been completed since February 2003, and a physical inventory of sensitive equipment at the third institution had not been completed since March 2005. Specifically, although equipment items at the three institutions were generally inventoried during fiscal years 2005 and 2006, as of October 2006, the results of the physical inventories had not been compared to the detail equipment records and missing items had not been identified and investigated.

The DGS *Inventory Control Manual* requires that an inventory control account be maintained to provide a history of acquisitions and disposals. The *Manual* also requires that a complete physical inventory of non-sensitive capital equipment be taken at least once every three years and that a complete physical inventory of sensitive equipment items be conducted at least once every year. The *Manual* further requires that differences between physical counts and the detail records be investigated, approved, and used to update the equipment records.

Recommendation 2

We recommend that equipment control accounts be maintained on a current basis, and that the control account be periodically reconciled to the aggregate balance of the related detail records. We also recommend that required adjustments to the equipment control accounts be documented and subject to approval by supervisory personnel. We further recommend that physical inventories of equipment be completed timely, reconciled to the related detail records, and any resulting differences investigated.

Materials and Supplies

Finding 3

The Region had not established proper internal controls over materials and supplies, including storeroom record keeping and inventory procedures.

Analysis

Numerous record keeping and inventory deficiencies existed that precluded adequate internal control over materials and supplies. According to the State's accounting records, during fiscal year 2006, the Region's materials and supplies expenditures (excluding commissary purchases) totaled approximately \$7 million. As of June 30, 2006, the book value of materials and supplies (excluding commissary inventory) reported to DGS totaled approximately \$1.4 million. Our review disclosed the following deficiencies:

- For one institution, copies of completed requisition forms were not provided to employees who received dietary items. Consequently, the inventory clerk could not compare completed requisition forms used for inventory record postings with copies signed by and provided to employees receiving the goods, which documented the number of items received.
- For two institutions, perpetual inventory records for ammunition were maintained by the related custodians and, at all three institutions, physical inventories of ammunition were conducted by the respective custodians. In addition, the custodian of one institution's dietary storeroom investigated variances between the monthly inventory counts and the related perpetual inventory records.
- Perpetual inventory records were not adequately maintained. For example, such records for the Region's maintenance storerooms have not been maintained since 1990, and records for ammunition at one institution were not maintained during our audit period. Additionally, the perpetual inventory records for the Region's other storerooms were simply adjusted to reflect the balances of the month-end physical counts for several months during fiscal year 2006; rather, Region personnel should have posted individual purchases and withdrawals on an ongoing basis.

The DGS *Inventory Control Manual* specifies the requirements for adequate separation of employee duties, proper controls over inventory withdrawals, and the proper maintenance of perpetual inventory records. Many of these conditions were noted in our preceding audit report, some of which have been commented upon in five preceding reports dating back to October 1992.

Recommendation 3

We again recommend that the Region establish proper internal controls over materials and supplies. Detailed recommendations were provided to the Region which, if implemented, would correct the conditions identified.

Inmate Funds**Finding 4**

The Region had not established proper internal controls over inmate fund disbursements.

Analysis

The Region had not established proper internal controls over disbursements from the inmate fund checking account. Specifically, an employee with access to blank inmate fund checks also had access to the related check signing machine and signature plate. In addition, this employee prepared portions of the inmate fund compositions and processed inmate fund reimbursements from the Comptroller of the Treasury. Furthermore, supervisory personnel did not review documentation supporting inmate fund disbursements or signed checks prior to issuance. As a result of these internal control deficiencies, errors or unauthorized disbursements from the inmate fund account could occur and not be detected. Similar conditions were commented upon in our preceding audit report.

Inmate accounts include funds earned by or received on behalf of inmates. These funds, which are deposited with the State Treasurer, can be saved or inmates can direct the Region to disburse these funds to third parties. During fiscal year 2006, inmate fund disbursements processed by the Region from the checking account totaled approximately \$880,000.

Recommendation 4

We again recommend that employees with access to blank inmate fund checks not have access to the related check signing machine and signature plate. We also again recommend that supervisory personnel review supporting documentation for inmate fund disbursements and signed checks prior to issuance, at least on a test basis.

Payroll

Finding 5

Certain types of adjustments made to the Region's payroll were not subject to supervisory review, and reviews of overtime adjustments were not performed timely.

Analysis

The Region had not established sufficient control to ensure that only proper payroll adjustments were processed. Although Region supervisory personnel reviewed adjustments for overtime on a test basis, other payroll adjustments (such as payments for unused annual leave and shift differential) were not reviewed. In addition, supervisory reviews of overtime adjustments were not timely performed. As of September 2006, Region supervisory personnel had not reviewed any adjustments for overtime since the pay period ending January 3, 2006.

According to the State's accounting records, the Region processed payroll adjustments totaling \$11.1 million during fiscal year 2006, which included \$970,000 in adjustments other than for overtime payments. The lack of supervisory review of payroll adjustments was commented upon in our preceding audit report.

Recommendation 5

We again recommend that Region supervisory personnel review documentation supporting all types of payroll adjustments, at least on a test basis, and that such reviews be completed timely and documented.

Audit Scope, Objectives, and Methodology

We have audited the Jessup Region of the Department of Public Safety and Correctional Services for the period beginning November 5, 2003 and ending August 20, 2006. The audit was conducted in accordance with generally accepted government auditing standards.

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 Region's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the current 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 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.

Our audit scope was limited with respect to the Region's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all Region cash transactions were accounted for and properly recorded on the related State accounting records as well as the banks' records.

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 Department's response to our findings and recommendations, on behalf of the Region, 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

300 E. JOPPA ROAD • SUITE 1000 • TOWSON, MARYLAND 21286-3020
(410) 339-5000 • FAX (410) 339-4240 • TOLL FREE (877) 379-8636 • V/TTY (800) 735-2258 • www.dpssc.state.md.us

February 9, 2007

STATE OF MARYLAND

MARTIN O'MALLEY
GOVERNOR

ANTHONY G. BROWN
LT. GOVERNOR

GARY D. MAYNARD
SECRETARY

G. LAWRENCE FRANKLIN
DEPUTY SECRETARY

MARY L. LIVERS, PH.D.
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 draft audit report dated January 30, 2007, of the **Jessup Region**, which includes the **Maryland House of Correction (MHC)**, the **Jessup Correctional Institution (JCI)**, and the **Maryland Correctional Institution-Jessup (MCI-J)**, for the period beginning November 5, 2003, and ending August 20, 2006. The Jessup Region, as well as the Department, acknowledges the importance of each finding and appreciates the constructive recommendations made as a result of this audit.

It should be noted that during or subsequent to this audit period, there have been significant initiatives by the Jessup Region that were designed to improve customer service to Maryland's citizens by increasing economy and efficiency, creating safer communities, and enhancing relationships with local governments and other stakeholders that share a mutual vision. The following is a brief synopsis of some of the initiatives/achievements made:

◆ **MHC**

Participated in and hosted quarterly meetings with the Jessup Community Association, an organization set up by the Legislature for a group of Jessup community members who meet with all of the Wardens/Directors of the facilities located in Jessup, including Clifton T. Perkins State Hospital, Howard County Detention Center, and the D.C. Children's Center. The Board Members of the Association are appointed by the Governor. The purpose of the meetings is to update the community on facility activities and problems that may affect them. Additionally, a cooperative effort with institutions includes the facilities providing staff and inmates, on an as-needed basis, to help with community projects and maintenance of the community property.


- ◆ **JCI**
Established a rewarding relationship with Maryland Correctional Enterprises (MCE), in which they [MCE] now employ approximately 250 men at JCI. It is anticipated that in the near future this number will increase to over 400. These jobs prepare men for possible employment after their release, ultimately giving them a better chance to become constructive members of our society again.

- ◆ **MCIJ**
Joined forces with the Anne Arundel County District Attorney's Office to assist with a gang task force called Gang Reduction in Prosecution (G.R.I.P.). The task force meets monthly for the purpose of discussing prevention measures for gang violence in and around the Anne Arundel corridor and to formulate new ideas to present to the State Legislature for approval. At the request of the Chief Investigator for Anne Arundel County's District Attorney's Office, MCI-J's Investigative Captain assists in identifying gang graffiti, tattoos, and trends; assists in determining if gangs within the prison system have developed within communities; and assists in determining if local gangs are existing within the prison system.

Instituted the Alternative to Violence Program (AVP) which is conducted weekly by the Volunteer Activities Coordinator (VAC) to promote positive decision making abilities and to reduce violence.

Attached is Assistant Commissioner Wendell France's response to the recommendations found in the draft audit report, with which I concur. Corrective action has been or will be implemented for all audit findings and recommendations noted in the Audit Report. I trust this responds to your request.

Sincerely,



Gary D. Maynard
Acting Secretary

Attachment

c: G. Lawrence Franklin, Deputy Secretary, DPSCS
Mary L. Livers, Ph.D., Deputy Secretary, DPSCS
John A. Rowley, Acting Commissioner, DOC
Wendell M. France, Assistant Commissioner, DOC
Gary Hornbaker, Warden, MHC
James Smith, Warden, JCI
Robert Koppel, Warden, MCI-J
Susan D. Dooley, Director of Financial Services, DPSCS
Joseph M. Perry, Inspector General, DPSCS



Department of Public Safety and Correctional Services

Division of Correction
Jessup Correctional Institution

P. O. BOX 534 • JESSUP, MARYLAND 20794
(410) 799-6100 • FAX (410) 799-1025 • TTY USERS 1-800-735-2258 • www.dpscs.state.md.us

STATE OF MARYLAND

MARTIN O'MALLEY
GOVERNOR

ANTHONY G. BROWN
LT. GOVERNOR

GARY D. MAYNARD
ACTING SECRETARY

G. LAWRENCE FRANKLIN
DEPUTY SECRETARY

MARY L. LIVERS, Ph.D.
DEPUTY SECRETARY

February 9, 2007

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

DIVISION OF CORRECTION

JOHN ROWLEY
ACTING COMMISSIONER

BOBBY SHEARIN
DEPUTY COMMISSIONER


JESSUP CORRECTIONAL
INSTITUTION

JAMES S. SMITH
WARDEN

CHARVETTE HENSON-BECKETT
ASSISTANT WARDEN

DEHAVILLAND WHITAKER
SECURITY CHIEF

via

Mr. John A. Rowley 
Acting Commissioner
Division of Correction
Plaza Office Center – Suite 300
6776 Reisterstown Road
Baltimore, Maryland 21215-2342

Re: Legislative Audit for the Division of Correction – Jessup Region

Dear Acting Secretary Maynard:

Attached are the responses to the draft Legislative Audit report dated February 2007 covering the examination of the accounts and records of the Jessup Region for the period beginning November 5, 2003 and ending August 20, 2006. Corrective action will be taken for all the findings noted by the Legislative Auditor as delineated below:

Finding #1 – Adequate controls had not been established to ensure that recorded collections were subsequently deposited.

We agree. An employee independent of the cash receipt function will verify collections recorded on pre-numbered cash receipt forms and cash receipt logs to the validated deposit slips and such verifications will be documented. Also, an employee independent of the cash receipt function will periodically account for the pre-numbered receipt forms as to issued, voided and on hand.

Finding #2 – Equipment records were not adequately maintained and physical inventories were not completed, as required.

We agree. The equipment control accounts will be maintained on a current basis, and the control accounts will be periodically reconciled to the aggregate balance of the related detail records. Also, required adjustments to the equipment control accounts will be documented and subject to approval by supervisory personnel. Further, physical inventories of equipment will be completed timely, reconciled to the related detail records, and any resulting differences will be investigated.

Finding #3 – The Region had not established proper internal controls over materials and supplies, including storeroom record keeping and inventory procedures.

We agree. The Region will establish proper internal controls over materials and supplies, including an adequate separation of employee duties, proper controls over inventory withdrawals, and the proper maintenance of perpetual inventory records.

Finding #4 – The Region had not established proper internal controls over inmate fund disbursements.

We agree. The employee with access to the blank inmate fund checks will not have access to the related check signing machine and signature plate. Also, supervisory personnel will review supporting documentation for inmate fund disbursements and signed checks prior to issuance, at least on a test basis.

Finding #5 – Certain types of adjustments made to the Region’s payroll were not subject to supervisory review, and reviews of overtime adjustments were not performed timely.

We agree. Supervisory personnel will review documentation supporting all types of payroll adjustments, at least on a test basis, and such reviews will be completed timely and documented.

Sincerely Yours,



Wendell France
Assistant Commissioner
Division of Correction

cc: Mary L. Livers, Ph.D., Deputy Secretary
G. Lawrence Franklin, Deputy Secretary
Susan D. Dooley, Director of Financial Services, DPSCS
Kevin Patten, Deputy Director of Financial Services, DPSCS
Joseph M. Perry, Inspector General
Gary Hornbaker, Warden, Maryland House of Correction
James S. Smith, Warden, Jessup Correctional Institution
Robert Koppel, Warden, Maryland Correctional Institution - Jessup
Keith Hardesty, Fiscal Administrator, Jessup Region
File

AUDIT TEAM

Mark A. Ermer, CPA
Audit Manager

Carlton A. Sexton
Senior Auditor

Jason A. Harris
Staff Auditor