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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 10, 2003

Mr. Martin F. Horn
Commissioner
New York City Department of Correction
60 Hudson Street - 6th floor
New York, New York 10013

Re: Report 2002-F-41

Dear Mr. Horn:

Pursuant to the State Comptroller's Authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law, we have reviewed the actions taken by officials of the New York City Department of Correction (Correction) as of January 2, 2003, to implement the recommendations contained in our audit report, *Payments for State Felons, State Ready Inmates, and Court Return Inmates* (Report 2000-N-12). Our report, which was issued on August 10, 2001, reviewed the adequacy of controls in place to ensure that such claims were accurate.

Background

The New York City Department of Correction provides custody, control, and care of inmates sentenced to one year of incarceration or less, detainees awaiting trial or sentence, newly sentenced felons awaiting transportation to New York State (State) correctional facilities, alleged parole violators awaiting revocation hearings, and State prisoners scheduled for court appearances in New York City. Correction handles approximately 114,000 admissions each year, and manages an average daily inmate population of about 15,000 individuals.

The New York State Correction Law requires both the New York State Department of Correctional Services (DOCS) and the New York State Division of Parole (Parole) to reimburse New York City (City) for the incarceration of inmates awaiting transfer to DOCS facilities (State Ready inmates) and alleged parole violators awaiting revocation hearings, as well as transportation costs associated with inmate transfers to State facilities. If the State does not take custody of State Ready inmates within ten business days, it could be held in contempt of court. To avoid contempt charges, it has contracted with the City to house each newly-committed State Ready inmate for a period that does not exceed 180 days, in return for a reimbursement of \$100 per day. Individuals housed in this manner are referred to as Contract inmates.

The State also pays the City for DOCS inmates who are brought to City facilities and housed there while they await trial (Court Returns). Until April 1, 1999, the State reimbursed the City for housing sentenced State felons who had one year or less to serve. During 2000 and 2001, the City claimed an average total of more than \$34 million per year from DOCS and Parole.

Summary Conclusions

In our prior audit, we identified under-claims of \$10,098 relating to Court Returns and \$23,953 relating to Sentenced Felons. These under-claims pertained to the 50 inmates we sampled in each of these areas and resulted from the control weaknesses we identified.

In our follow-up review, we found that Correction officials have taken steps to implement the recommendations contained in our prior report. Correction has established a process to verify the accuracy of the data submitted by DOCS to ensure appropriate and accurate reimbursement.

Summary of Status of Prior Audit Recommendations

Of the nine prior audit recommendations, Correction officials have implemented seven recommendations, partially implemented one recommendation, and one recommendation is no longer applicable.

Follow-up Observations

Recommendation 1

Generate and maintain tapes for State aid claims of State Ready and Contract inmates and use them for verifying the accuracy of the listings compiled by DOCS.

Status – Implemented

Agency Action – DOCS provides Correction with electronic tapes that list the number of days the inmates have been housed and the amount of reimbursement for which the State is liable to the City. Correction now has an electronic database containing data for these same inmates, which is used to verify the accuracy of the data from DOCS. Correction compares the two sets of data to verify the accuracy of State aid claims of State Ready and Contract inmates.

Recommendation 2

Continue to review the computer program used to generate data for the Court Return State aid claims to verify that it computes claimed amounts accurately.

Status – Implemented

Agency Action – An audit report issued on June 15, 2001 by Correction's Inspectional Service and Compliance Division's Internal Audit Unit, concluded that computerization has significantly improved since 1998. Edit checks were installed to prevent data entry errors.

Recommendation 3

Continue to manually verify the 1998 State aid claims for Court Returns, and perform the same review for subsequent years if the 1998 review identifies significant errors.

Status – Implemented

Agency Action – Correction 's Internal Audit Unit undertook an audit of inmate folders for calendar years 1998 and 1999, and is in the process of reviewing the calendar year 2000 claims for Court Returns.

Recommendation 4

Recover the amount owed for the under-claims of Court Returns we identified.

Status – Partially Implemented

Agency Action – Correction officials informed us that its Internal Audit Unit is currently performing a review of the records of every inmate returned to the custody of DOCS in the four quarters of calendar year 2000. Since the five under-claims of \$10,098 cited in our prior audit all pertain to the year 2000, Correction officials believe that it would be more efficient to include them in the claim resulting from the current internal audit review.

Recommendation 5

Determine the feasibility of recovering any under-claims for Court Returns. If feasible, recover the amount owed.

Status – Implemented

Agency Action – Correction identified under-claims of \$243,712 and \$65,110 covering the third and the fourth quarters of 1998, and January to December of 1999, respectively. Correction has received the reimbursements for these claims. Correction's Internal Audit Unit is in the process of reviewing the Court Return State Aid Claim for the year 2000. A similar review will be performed for subsequent year if a significant variance is noted between the DOCS' electronic information and Correction's manual review.

Recommendation 6

Require random comparisons of a sample of electronically entered data and original source documents as an additional control for ensuring the accuracy of the claim.

Status – No longer applicable

Agency Action – Correction 's Internal Audit Unit undertook an audit of every inmate returned to the custody of DOCS in calendar years 1998 and 1999, and is in the process of reviewing the

claim for calendar year 2000. Since a 100 percent review will be conducted, there is no need for random sampling.

Recommendation 7

Recover the amount owed for under-claims of sentenced-felons.

Status – Implemented

Agency Action – An under-claim of \$23,953 was submitted to DOCS as part of the \$9.6 million amended reimbursement claim as cited in regards to Recommendation 8.

Recommendation 8

Identify other under-claims for sentenced felons.

Status – Implemented

Agency Action – Correction sent five amended reimbursement claims to DOCS based on the time period of our prior audit for the temporary housing of Sentenced Felons. These claims totaled \$9,635,073, at the rate of \$17.00 per day, per sentenced felon. However, the State rejected the Correction claim because it believes that there is no statutory authority for the State to reimburse the City for these costs. Subsequently, Correction referred the matter to the New York City Law Department for review.

Recommendation 9

Revise written procedures for preparing State aid claims to include the additional internal control procedures recommended in this report.

Status – Implemented

Agency Action – The written procedures were revised to include the forwarding of all claims generated by DOCS for the availability to conduct audits.

Major contributors to this report were Barry Mordowitz and Roseline David.

We would appreciate your response to this report within thirty days, indicating any additional actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the New York City Department of Correction for the courtesies and cooperation extended to us during the review.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre Taylor