

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Department of Corrections**

Audit Period  
July 1, 2005 through June 30, 2006

Report No. 6565

Issue Date  
December 8, 2006



Washington \_\_\_\_\_  
**State Auditor**  
\_\_\_\_\_ Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

December 8, 2006

Harold W. Clarke, Secretary  
Department of Corrections

***Report on Accountability for Public Resources***

Please find attached our report on the Department of Corrections' accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). We also annually audit federal programs administered by the state of Washington for compliance with federal laws and regulations. The results of these audits are published in reports issued by the Office of Financial Management.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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# Audit Summary

## State of Washington Department of Corrections

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Department of Corrections for the period from July 1, 2005, through June 30, 2006.

We evaluated internal controls and performed audit procedures on the financial activities of the Department. We also determined whether the Department complied with state laws and regulations and its own policies and procedures. Our work focused on specific areas that have potential for noncompliance, misappropriation or misuse of public resources.

### ***RESULTS***

In most areas, the Department complied with state laws and regulations and its own policies and procedures.

However, we noted certain matters that we communicated to Department management. We appreciate the Department's commitment to resolving those matters.

### ***RELATED REPORTS***

Our opinion on the state of Washington's basic financial statements is included in the state's Comprehensive Annual Financial Report (CAFR). That report is issued by the Office of Financial Management in December of each year.

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management.

In addition to these reports, we issued reports pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW) which are available on our Web site.

### ***CLOSING REMARKS***

We thank Department management and personnel for their assistance and cooperation during the audit.

# Description of the Department

## State of Washington Department of Corrections

### ***ABOUT THE DEPARTMENT***

The Department of Corrections was created in 1981 by the Washington State Legislature (Chapter 72 RCW). Prior to 1981, the Department was a division of the Department of Social and Health Services. The Department consists of the Office of the Secretary and three operating divisions, each headed by a Deputy Secretary: the Prisons Division, the Community Corrections Division and the Administrative Services Division.

The Department is a highly decentralized agency, employing approximately 8,000 men and women to administer and supervise over 16,000 offenders housed in 15 institutions and 15 work release locations. In addition, the Department provides oversight for more than 42,000 offender field cases, of which over 26,000 are supervised offenders in the community. In 2003, the Department began renting beds in local jails and other jurisdictions to address a shortage of space in state prisons. Approximately 1,200 beds are rented from these other sources.

The Department also operates Correctional Industries, a business enterprise, at several of its institutions. Correctional Industries is committed to maintaining and expanding offender work/training programs which develop marketable job skills, instill and promote a positive work ethic among offender workers and to reduce the tax burden of corrections. Correctional Industries includes, but is not limited to, furniture and clothing manufacturing, food processing and printing.

The 2005-07 budget for the Department totals \$2.015 billion, with \$1.476 billion allocated to operations and \$539 million allocated to capital projects.

### ***AUDIT HISTORY***

We audit the agency annually. The past five audits of the agency have reported three findings in two areas of concern. The 2002 and 2003 audit contained a finding involving the Trust Accounting System's access controls while the 2004 audit reported weaknesses in internal controls over pharmaceutical inventories. No findings were reported in 2005.

# Audit Areas Examined

## State of Washington Department of Corrections

In keeping with general auditing practices, we do not examine every portion of the Department of Corrections' financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas were examined during this audit period:

### ***ACCOUNTABILITY FOR PUBLIC RESOURCES***

We evaluated the Department's accountability and compliance with certain state laws and regulations and its own policies in the following areas:

- Purchasing at Business Service Centers:
  - Eastern Region
  - Northwest Region
  - Southwest Region
  - West Central Region
- Restricted Funds 651 and 800:
  - Headquarters
  - Airway Heights Corrections Center
  - Eastern Region Business Service Center
- Fixed Assets:
  - Airway Heights Corrections Center
  - McNeil Island Corrections Center
  - Monroe Corrections Center
- Trust Accounting System

### ***FINANCIAL***

We perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). These financial statements are included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management. The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity.

We tested the Department's account balances and financial activity related to:

- Depreciable assets (net of depreciation)

### ***FEDERAL PROGRAMS***

Federal grant audit work is performed on a statewide basis, in accordance with the revised Single Audit Act. We select federal programs for audit using risk-based criteria set forth in the U.S. Office of Management and Budget Circular A-133.

The Department has no major federal programs.