

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

**Department of Corrections**

Audit Period  
**July 1, 2009 through June 30, 2010**

**Report No. 1004550**

Issue Date  
**November 15, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

November 15, 2010

Eldon Vail, Secretary  
Department of Corrections

***Report on Accountability***

We appreciate the opportunity to work in cooperation with your Department to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Department of Corrections' accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

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, 2009 through June 30, 2010.

We evaluated internal controls and performed audit procedures on the activities of the Department. We also determined whether the Department complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Payroll
- Fuel cards
- Prison cash receipting
- Duplicate payments
- Monroe gate money loss
- Fixed asset inventory

### ***RESULTS***

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

However, we identified one condition significant enough to report as a finding:

- Employees do not consistently follow the Department's policies and procedures on universal fuel cards and management does not properly monitor use to prevent or detect a misappropriation of public funds.

# **Related Reports**

## **State of Washington Department of Corrections**

### ***FINANCIAL***

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is 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. That report is issued by the Office of Financial Management in December of each year and can be found at [www.ofm.wa.gov](http://www.ofm.wa.gov).

Our opinion on the Department of Corrections' basic financial statements is included in the Department's separate Comprehensive Annual Financial Report.

### ***FEDERAL PROGRAMS***

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 March of each year.

### ***OTHER REPORTS***

During the current audit period, the State Auditor's Office will issue a report on a misappropriation of public funds at the Department. That report is available upon request.

During the current audit period, the State Auditor's Office issued reports pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). Those reports are available on our website, [www.sao.wa.gov](http://www.sao.wa.gov).

# 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 four operating divisions headed by three Assistant Secretaries and one Health Services Director: the Prisons Division, the Community Corrections Division, the Administrative Services Division and the Health Services Administration.

The Department is a highly decentralized agency, with approximately 8,000 employees to administer and supervise over 16,000 offenders housed in 13 institutions and 15 work release locations around the state. In addition, the Department provides oversight for more than 28,000 offender field cases, of which over 19,000 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 1,100 beds are rented from these additional 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.

For the 2009-2011 biennium, the Department budgeted \$1.54 billion for operations and allocated \$94 million to capital projects.

### ***DEPARTMENT CONTACT INFORMATION***

Address: Department of Corrections  
P.O. Box 41107  
Olympia, WA 98504-1107

Phone: (360) 725-8213

Website: [www.doc.wa.gov](http://www.doc.wa.gov)

## **AUDIT HISTORY**

We audit the Department annually. The past five audits of the Department have reported four findings. The 2008 audit contained two findings, one involving internal control weaknesses over local funds and one involving a misappropriation of funds from the Offender Welfare and Betterment fund at McNeil Island Correctional Center. The 2009 audit contained two findings, one involving internal control weaknesses over cash receipting in prison mailrooms and one involving internal control weaknesses over universal fuel cards. No findings were reported in 2005, 2006 or 2007 audits.

# Schedule of Audit Findings and Responses

## State of Washington Department of Corrections

1. **Employees do not consistently follow the Department's policies and procedures on universal fuel cards and management does not properly monitor use to prevent or detect a misappropriation of public funds.**

### Background

The Department issues universal fuel cards to its field offices, prisons and regional offices to pay for fuel for Department vehicles. It had issued 1,093 cards by the end of January 2010. Department employees used only 643 of these cards to charge approximately \$202,000 from July 1, 2009 through January 31, 2010.

Department policy states employees may use the cards to purchase unleaded gasoline or diesel fuel and up to six car washes per car per year. The policy states the cards may not be used for any other items, including service or maintenance, except in the case of emergency. In the case of emergency, employees may purchase only oil, wiper blades and operating lights.

Headquarters assigns the fuel cards to each Department vehicle. The Northwest Regional Office, Southwest Regional Office and Eastern Regional Office review their regions' fuel card bills and Headquarters issues the payments.

We reported a finding in our fiscal year 2009 audit regarding inadequate internal controls over fuel cards. We found Department policies were inadequate and were not enforced to ensure fuel cards were used for allowable purposes.

To address the weaknesses, the Department established audit procedures for fuel card transactions. It switched to a different type of fuel card in July 2009 that more tightly controls purchases. The cards can be used only at fuel pumps and do not work inside stores.

### Description of Condition

During our fiscal year 2010 audit, we reviewed the Department's revised fuel card policies. In addition, we reviewed 50 transactions totaling approximately \$1,725 on the October 2009 fuel card bill that either lacked descriptions or included questionable descriptions, such as premium fuel or purchases described as miscellaneous. Despite the Department's new policies and procedures, we found the following control weaknesses continue:

#### Lack of Mileage Logs

Of the 50 transactions we examined, 16 (32 percent) were not supported by the required mileage log. Without completed mileage logs, the Department cannot determine if the quantities of fuel purchased are reasonable.



## **Lack of Monitoring**

We found mileage logs are not always compared to the monthly fuel card billing statements and fuel card transaction reports are not reviewed for unallowable purchases. Of the 50 transactions we reviewed, we found 33 transactions (66 percent) totaling \$1,326 did not have adequate support or were for unallowable items, such as premium fuel and items described as miscellaneous.

## **Fuel Card Security**

Department management does not consistently enforce the fuel card policy. The Southwest Region Organizational Development Unit kept fuel cards inside vehicles when not in use and stored PINs with some of the cards. On two occasions at this Unit, someone broke into vehicles, took fuel cards, and was able to purchase fuel with them since the PINs were attached to the cards. The mileage logs were also taken, so the Department was unable to determine the date the cards were taken and the amount of loss. The Unit discovered one of the losses and reported it to the police. We discovered the second loss as part of our audit. The first loss was not communicated to our Office as required by state law.

## **Lack of Signed Agreements with Fuel Card Users**

Department policy does not require signed card user agreements that show employees understand how the cards are to be used.

## **Cause of Condition**

Although Department management has established policies to address card security, vehicle use documentation, and allowable purchases, headquarters management does not ensure field supervisors enforce Department policies, including reconciling mileage logs to monthly fuel card bills.

## **Effect of Condition**

By not ensuring employees comply with fuel card policies and properly secure the cards, the Department lost two cards due to theft and was unable to determine the amount of the loss, when the loss occurred and which employees were in violation of Department policy.

Since the Department does not ensure all vehicle logs are complete, the monthly reconciliation process has not identified unallowable purchases or who may have made them.

## **Recommendation**

We recommend the Department develop and enforce the fuel card policy and procedures to ensure:

- Employees record all vehicle use on mileage logs.

- Someone compares activity recorded in mileage logs to the monthly billing statement on fuel purchases.
- Card users are aware of the types of purchases that are allowable and what documentation they need to update and retain.
- All locations properly secure fuel cards.
- Employees sign fuel card user agreements indicating they agree to comply with established procedures.
- Report all known or suspected losses immediately to the State Auditor's Office as required by state law (RCW 43.09.185).

### **Department's Response**

*We concur with the finding of the State Auditor's Office. We are redesigning our monitoring and review procedures to improve controls over and accountability of universal fuel cards.*

### **Auditor's Remarks**

We appreciate the Department's commitment to resolving the identified weaknesses. We will follow up with the Department at a later date to determine what corrective actions have been taken.

### **Applicable Laws and Regulations**

RCW 43.09.185 - Loss of public funds -- Illegal activity -- Report to state auditor's office.

State agencies and local governments shall immediately report to the state auditor's office known or suspected loss of public funds or assets or other illegal activity.

WAC 236-48-251 – Distribution of credit, charge cards or purchasing cards.

Agency heads (or their designees) shall institute a system for responsibility, control and distribution of credit, charge or purchasing cards within each agency.

SAAM 45.20.20.a states in part:

An agency should establish internal controls to address the use of the purchase card as a means of expending state funds. The following is the minimum level of controls acceptable:

- Card users shall be given a copy of the agency purchase card policies and procedures, should sign a card user agreement form, and should complete training prior to a purchase card being issued and used.

- Promptly recording, properly classifying, and promptly reconciling all transactions.
- Assigning key duties and responsibilities to ensure a proper separation of duties.
- Safeguarding purchase cards and account numbers against loss, theft, and unauthorized use. Cards should be kept by the cardholder or card custodian in a secure (locked) location when not in use.
- Agencies utilizing department cards should create and maintain a department card log to track card use. Designated card users should check out and check in the card on a department card log and describe the business purpose for each use in order to make a purchase.
- Reconciling and approving card statements at least monthly.

SAAM 45.10.70.c states in part:

The agency program administrator is the person responsible for management and oversight of the purchase card program within the agency, and is responsible for the following:

- Developing and enforcing agency policies and procedures for using the purchase card, including disciplinary procedures related to unauthorized use of cards and card renewal procedures. The agency policies and procedures should meet the minimum requirements of the statewide policies and procedures contained in this chapter. State ethics laws should also be considered when developing agency policies.
- Providing training to approving officials, cardholders, card custodians, and designated card users in the management, security, and use of the card.
- Ensuring card users satisfy documentation requirements for purchases.

SAAM 45.10.70.d

The approving official is assigned to monitor, review, and approve card transactions to ensure compliance with purchase card policies and procedures, and is responsible for the following:

- Ensuring timely reconciliation of card statements, including ensuring that supporting documentation is attached.
- Monitoring card activity for unusual patterns of use or unacceptable transactions, and taking appropriate disciplinary measures with card users who misuse their purchase card.

SAAM 45.10.70.e states in part:

For agencies that choose to utilize department cards, the card custodian administers and controls the use of department cards by authorized

designated card users within the card custodians' workgroup and is responsible for the following:

- Complying with all state, agency, and purchasing statutes, rules, policies, and procedures.
- Training designated card users on the use of the card.
- Ensuring that designated card users obtain and submit valid supporting documentation for each purchase made.
- Reconciling the card statement to the purchase card transaction log and supporting documentation, at least monthly, and submitting to the approving official for approval.

SAAM 45.10.70.f states in part:

For agencies who choose to utilize department cards, the designated card user is an authorized user of a department card, and is responsible for the following:

- Using the purchase card in accordance with all state and agency statutes, rules, policies, and procedures.
- Obtaining and submitting valid supporting documentation for each purchase made.
- Checking card back in on department card log after use and immediately returning card and supporting documentation to card custodian.
- Safeguarding card security at all times.

DOC Vehicle Use Policy 230.500, Section V, Part A states in part:

The operator will:

6. Report mileage driven, date, driver's name, and purpose on DOC 05-070 Vehicle Usage Log

Section V, Part B states in part:

- Fuel cards should be used to purchase regular unleaded gasoline or diesel whenever possible.
- Universal fuel cards may be used to purchase fuels, oil, and emergency repairs when using the Department of Transportation fuel card would cause undue hardship.
- Mileage logs, keys, and fuel cards will be kept in the local Department office when the vehicle is not in use.
- Fuel cards will not be marked with the 4 digit PIN and must be kept secure. Mileage logs, keys, and fuel cards will be kept in the local Department office when the vehicle is not in use.
- If a fuel card is lost or stolen, staff will notify the Department fuel card administrator as soon as possible.

Section XII, Part A states:

Each facility/office will maintain comprehensive records of staff travel and motor vehicle usage that include:

1. DOC 05-070 Vehicle Usage Log, and
2. Cost records relating to the operation, gasoline, oil, and service.

# Status of Prior Audit Findings

## State of Washington Department of Corrections

The status of findings contained in the prior years' accountability report of the Department of Corrections is provided below:

1. **The Department does not have adequate internal controls over Voyager fuel cards to prevent or detect misappropriation of public funds.**

Report No. 1002601 dated December 7, 2009

### **Background**

We reviewed controls in place over Voyager fuel cards at the three regional offices and found supporting documentation was not being kept, bills were not being reconciled to receipts and mileage logs, support for "emergency" purchases was not being obtained, users were not signing card user agreements, unallowable purchases were being made and unused cards were not being canceled or deactivated.

We recommended the Department: 1) Establish and enforce adequate policies and procedures to ensure fuel cards are used for allowable business purposes, and in accordance with management's expectations; 2) Ensure card users be trained on the allowable use of the cards and types of documentation they need to retain and submit; 3) Obtain and review support documentation before paying fuel card bills; and 4) Regularly eliminate cards that are not being used.

### **Status**

We reviewed this area during the current audit and found that although the Department made changes to try to address our concerns, including assigning cards to vehicles and auditing some charges, the changes were not adequate to address our concerns. We found issues with card security, enforcement of policies, user agreements, support documentation, and unallowable purchases. We issued a finding over this area for the current year. See Finding 1.

2. **The Department does not have adequate controls over cash-receipting in the mailrooms at the prisons to prevent or detect misappropriation.**

Report No. 1002601 dated December 7, 2009

### **Background**

We reviewed the cash-handling for inmate accounts at the Washington Correctional Center for Women (WCCW), the McNeil Island Correctional Center (MICC), the Monroe Correctional Center (MCC) and Airway Heights Correctional Center (AHCC). The prisons all use the same receipting system to log cash receipted in the mailrooms. We found at all four prisons the mail was not opened by two people, money orders were left

unsecured on a table before they were entered into the system, no signature were required when money orders were transferred from the mailroom to the Business Office, and the receipting system allowed transactions to be permanently deleted, leaving no record of the activity. We also found at MICC, MCC, and the WCCW a common log-on was used, even though individual user accounts could be created, and not all money received was recorded in the receipting system. Items such as money orders that were not properly filled out and income tax refunds were set aside and returned to the sender or forwarded to family members without being tracked. At AHCC after money orders were entered into the system, the receipts were attached and left in an unsecured bin in the middle of the mailroom until they were transported to the Business Office. At WCCW no one was reconciling the bank deposit to the daily money order list.

### **Status**

We reviewed the changes the Department made at each of the four prisons. The only prison the Department said did not make any changes was MCC. We will perform on-site reviews during the next audit to determine if the stated changes adequately address our concerns.



## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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