



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

March 20, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Public Safety and Correctional Services (DPSCS) to resolve the four repeat findings (presented as two findings) in our August 6, 2012 audit report of Central Region Finance Office (CRFO). This review was conducted in accordance with a requirement specified in the April 2014 *Joint Chairmen's Report* (JCR), page 115. The JCR required that, prior to release of \$200,000 of its administrative appropriation for fiscal year 2015, corrective action must be taken on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2015. This is the second consecutive year that this requirement has been included in the JCR. In response to the requirement in the April 2013 JCR, we notified the budget committees on March 5, 2014 that DPSCS had not resolved these repeat findings.

The August 6, 2012 audit report of CRFO contained four repeat audit findings presented as two findings (findings 1 and 3) that were addressed by two recommendations. In accordance with the aforementioned April 2014 JCR requirement, DPSCS provided a report to OLA, dated October 31, 2014, detailing the corrective actions that had been taken with respect to these repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with DPSCS personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is DPSCS' status report, as October 31, 2014, which indicated substantial progress had been made to address the repeat findings. Our review determined that DPSCS had taken the necessary corrective actions to implement the recommendation for one of the two repeat findings. For the remaining finding, the actions taken did not satisfactorily address the recommendation.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessment regarding the one repeat finding that had not been resolved. We wish to acknowledge the cooperation extended to us by DPSCS during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
David R. Brinkley, Secretary, Department of Budget and Management
Stephen T. Moyer, Secretary, DPSCS
William G. Stewart, Deputy Secretary of Administration, DPSCS
Wendell M. France, Acting Deputy Secretary of Operations, DPSCS
Patricia A. Moore, Director of Administrative Services, DPSCS
Christopher R. McCully, Director, Division of Financial Services, DPSCS
Farid Keshavarz, Deputy Director Division of Financial Services, DPSCS
Aubrey Bascombe, South Region Finance Director, DPSCS
Joseph M. Perry, Inspector General, DPSCS
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Hannah E. Dier, Policy Analyst, Department of Legislative Services

Exhibit 1 to March 20, 2015 Letter to Joint Chairmen



Department of Public Safety and Correctional Services

Office of the Secretary

300 E. JOHNS ROAD • SUITE 1000 • TOWSON, MARYLAND 21286-3000
(410) 335-5000 • FAX (410) 335-4240 • TOLL FREE (877) 275-8606 • TTY (800) 735-2258 • [WWW.DPSCS.STATE.MD.US](http://www.dpscs.state.md.us)

October 31, 2014

STATE OF MARYLAND
MARTIN O'MALLEY
GOVERNOR
ANTHONY BROWN
J. GOVERNOR
GREGG L. HERSHBERGER
SECRETARY
PATRICIA M. JOHNSON
DEPUTY SECRETARY
ADMINISTRATION
CARROLL A. PARRISH
DEPUTY SECRETARY
OPERATIONS
RUSSELL HARRIS
ASSISTANT SECRETARY
CHIEF OF STAFF
DAVID N. BEANSON
ASSISTANT SECRETARY
CAPITAL PROGRAMS
WAYNE REES
EXECUTIVE DIRECTOR
NORTH REGION
MICHAEL J. FRANCES
EXECUTIVE DIRECTOR
CENTRAL REGION
PATRICIA HALE
EXECUTIVE DIRECTOR
SOUTH REGION

Thomas J. Barnickel III, CPA
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
301 West Preston Street
Room 1202
Baltimore, Maryland 21201

Re: Audit of the Department of Public Safety
and Correctional Services (DPSCS)
Central Region Finance Office (CRFO)
Report Date: August 6, 2012

Dear Mr. Barnickel:

In response to your June 25, 2014 letter (Attachment #1), and in accordance with the Joint Chairmen's Report, the Department is pleased to report that the Central Region Finance Office (CRFO) has made excellent progress with its corrective action plan to resolve the repeat audit findings reflected in the Legislative Auditor's August 6, 2012 CRFO audit report (Attachment #2). As you know, the OLA is currently auditing the records of the reorganized South and Central Regions, and will issue a report of its assessment of the status of these findings.

On April 4, 2014 the Department received a letter (Attachment #3) from the Budget Committees in response to your March 5, 2014 letter (Attachment #4) to the Budget Committee Chairmen, recognizing that the Department had not resolved the repeat audit findings, and therefore not recommending the release of \$200,000 of the Department's FY 2014 withheld appropriation. However, due to the concern with the Department's ability to independently resolve this audit issue, the Budget Committees requested that the withheld appropriation not be reverted to the General Fund, but instead be transferred to the Comptroller and applied to the MOBS accounts in order to begin the process of reconciling the outstanding difference.

In that regard, it should be noted that the Department has successfully completed over a year of CRFO MOBS FMIS reconciliations, and was current by its planned date of August 31, 2014. Further, in accordance with recommendations outlined in the April 4, 2014 letter, the Department has worked with both the Department of Budget and Management and Comptroller's Office to use the \$200,000 toward the outstanding inmate accounts balance, which occurred in June 2014 (all corresponding documentation is available).

In addition, Senate Bill 170 of the 2014 Legislative Session included language that restricted \$200,000 of the agency's FY 2015 administrative appropriation and included the following:

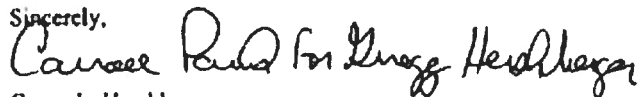
Further provided that \$100,000 of this appropriation made for the purpose of Department of Public Safety and Correctional Services operations, may not be expended for that purpose but instead may be transferred by budget amendment to the Comptroller of Maryland to be used only for crediting inmate accounts in order to reconcile the aggregate balance of individual inmate accounts in the Maryland Offender Banking System with the corresponding records of the Comptroller of Maryland.

The Department is in the process of working with the Department of Budget and Management and the Comptroller's Office to credit \$100,000 of this appropriation toward the reconciliation of inmate accounts as intended in the FY 2015 Budget.

I again would like to express my thanks and appreciation to the OLA, the Budget Committees, DBM, and the Comptroller's Office for working with us toward resolving this audit issue.

If you have any questions or require additional information, please contact Patricia Donovan, Deputy Secretary for Administration.

Sincerely,



Gregg L. Hershberger
Secretary

Attachments

cc: The Honorable Edward J. Kasemeyer, Chairman, Senate Budget and
Taxation Committee
The Honorable Norman H. Conway, Chairman, House Appropriations
Committee
The Honorable Guy Guzzone, Co-Chair, Joint Audit Committee
The Honorable James C. Rosapepa, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Peter V.R. Franchot, Comptroller
T. Eloise Foster, Secretary, DBM
Marc Nicola, Director, Office of Budget Analysis, DBM
Joan Peacock, Manager, Audit Compliance Unit, DBM
Carroll A. Parrish, Deputy Secretary, Operations, DPSCS
Patricia Donovan, Deputy Secretary, Administration, DPSCS
Patricia A. Vale, Regional Executive Director, South Region, DPSCS
Wendall M. France, Regional Executive Director, Central Region, DPSCS
Christopher McCully, Director, Division of Financial Services, DPSCS
Kevin Loeb, Director, Government, Legislative and Community Affairs,
DPSCS
Patricia A. Moore, Director, Administrative Services, DPSCS
Joseph M. Ferry, Inspector General, DPSCS
Karl S. Aro, Executive Director, Department of Legislative Services
Hannah E. Dier, Policy Analyst, Department of Legislative Services

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONAL SERVICES
LEGISLATIVE AUDIT CORRECTIVE ACTION STATUS REPORT

AGENCY NAME Department of Public Safety and Correctional Services SECTION/REGION CRFO (South Region Admin) AUDIT PERIOD July 1, 2010 – August 21, 2011

| Audit Finding/Detail | Audit Recommendation(s) | Corrective Action Plan Status | Actual/ Anticipated Compliance Date |
|---|---|---|---|
| <p>Finding #1 – Inmate Funds</p> <p>CRFO had not fully reconciled its inmate fund records with the corresponding records maintained by the Comptroller of Maryland.</p> <p>CRFO has been unable to fully reconcile the aggregate balance of inmate accounts recorded on its records (MOBS) with the corresponding records of the Comptroller of Maryland. Although CRFO performed monthly reconciliations between current activity posted to MOBS and to the Comptroller's records, CRFO has been unable to resolve the aggregate recurring difference between the two records, which totaled approximately \$309,000 as of June 30, 2011.</p> <p>Since the June 30, 2011 adjusted MOBS balance of \$2,862,214 exceeded the corresponding balance of \$2,553,204 in the Comptroller's records, the difference is of particular concern, because it</p> | <p>Recommendation 1</p> <p>We recommend that CRFO</p> <ol style="list-style-type: none"> a. on a periodic basis, reconcile the aggregate balance of individual inmate accounts in MOBS with the corresponding records of the Comptroller of Maryland, including the investigation and resolution of all differences (repeat); and b. consult with the Comptroller's General Accounting Division and the Department of Budget and Management as to the proper disposition of the aforementioned difference of \$309,000 if the difference cannot be resolved. | <p>The reconciliations are completed through June 2014. The new Maryland Offenders Banking System (MOBS II) was implemented in August 2014 and as a result the reconciliation will be performed as a Departmental reconciliation. The Department is currently developing an interface between MOBS II and FMIS that will simplify the reconciliation process and provide sustainability.</p> <p>The Department is working with DBM and the Comptroller's Office as to the proper disposition of any differences that are not resolved, in accordance with the information provided in the attached cover letter to the OLA.</p> | <p>August 31, 2014</p> |

implies that inmate funds on deposit with the Comptroller may not be sufficient to cover the aggregate balance of inmate accounts in MOBS. This condition was commented upon in our three preceding audit reports on the Baltimore Region and in our preceding report on the Jessup Region. CRFO believes that the difference relates to undetermined prior years and that it may not be able to resolve the difference. Consequently, the resolution of this difference will require the involvement of certain control agencies such as, the Comptroller's General Accounting Division and the Department of Budget and Management.

| Audit Finding/Detail | Audit Recommendation(s) | Corrective Action Plan Status | Actual/ Anticipated Compliance Date |
|--|---|--|---|
| <p>Finding 3 – Equipment</p> <p>Equipment records were not adequately maintained, and certain individuals had unnecessary access to adjust the records.</p> <p>Equipment records were not adequately maintained, and certain individuals had unnecessary access to adjust the records. According to CRFO's records, the aggregate book value of equipment maintained by the facilities served by the CRFO totaled approximately \$13.9 million as of June 30, 2011. Specifically, we noted the following deficiencies:</p> <ul style="list-style-type: none"> Equipment on hand was not always recorded in the detail records. Our test of 15 items sighted at various facilities disclosed 4 items (cameras) that could not be located in the | <p>Recommendation 3</p> <p>We recommend that CRFO</p> <ol style="list-style-type: none"> Comply with the requirements of the <i>Inventory Control Manual</i> by properly maintaining all equipment records on a current basis (repeat): | <p>The CRFO (South Region Admin.) believes this finding has been corrected through comprehensive staff training pertaining to the <i>Inventory Control Manual</i>. In addition, various inventories have been conducted.</p> <p>Trainings were held on October 15th, 2013 and October 22nd, 2013 for all Accountable Officers and Property Officers in the CRFO (South Region Admin.).</p> <p>Since then, the Accountable Officers and Property Officers have been trained on procedures to properly maintain equipment records as required. Spot audits were conducted at various facilities to ensure compliance and enhance awareness of inventory controls. Fence-to-fence inventories for FY 14 have been completed and reconciliations were completed.</p> <p>Recently, it was noted that managed access equipment (cell phone blocking equipment at MTC) was not properly recorded in the control account or the detail records. This will be resolved by November 1.</p> | <p>November 1, 2014</p> |

detail equipment records. In addition, our test of 5 equipment purchases totaling \$73,494 disclosed that a purchase totaling \$9,282 (commercial lawn mower) had not been posted to the detail records:

- Equipment items recorded in the detail records could not always be located. Our test of 10 equipment items totaling \$89,618 and recorded in the detail records disclosed that 2 items (camcorder) totaling \$2,143 could not be located.
- User access to update equipment records on CRFO's automated system was not always removed when users no longer needed such access. We noted three individuals with system update capabilities who no longer needed this access for their job responsibilities. In addition, four former employees still had update access according to CRFO's records.

The *DGS Inventory Control Manual* requires that equipment detail records be properly maintained on a current basis. In addition, the *Manual* requires that all capital equipment be recorded in the detail records. Furthermore, access to the automated equipment records should be granted only to current employees who require it for their job responsibilities. Similar conditions relating to the maintenance of equipment records were commented upon in our three preceding audit reports on the Baltimore Region and in our preceding report on the Jessup Region.

b. Ensure that access to the equipment records is provided only to employees who require such access for their job responsibilities; and

c. Update the equipment records for unrecorded items and investigate the disposition of the missing equipment items.

Recommendation 3b has been corrected. Access to the equipment records is now only provided to employees that require such access for their job responsibilities.

See corrective action narrative for 3a

Exhibit 2 to March 20, 2015 Letter to Joint Chairmen

**Status of Repeat Findings in OLA's August 6, 2012 Audit Report on the
Department of Public Safety and Correctional Services (DPSCS)
Central Region Finance Office**

| Prior Recommendations Pertaining to Repeat Findings | Status Based on OLA Review |
|---|-----------------------------------|
| Inmate Funds 1a. We recommend that DPSCS, on a periodic basis, reconcile the aggregate balance of individual inmate accounts in the Maryland Offender Banking System (MOBS) with the corresponding records of the Comptroller of Maryland, including the investigation and resolution of all differences. | Not Resolved |
| Equipment 3a. We recommend that DPSCS comply with the requirements of the Department of General Services <i>Inventory Control Manual</i> by properly maintaining all equipment records on a current basis. | Corrected |

The shaded recommendation is more fully described in Exhibit 3.

Exhibit 3 to March 20, 2015 Letter to Joint Chairmen

OLA's Assessment Regarding Repeat Findings That Had Not Been Resolved

Inmate Funds

Prior Report Recommendation – Finding 1a

We recommend that DPSCS, on a periodic basis, reconcile the aggregate balance of individual inmate accounts in the Maryland Offender Banking System (MOBS) with the corresponding records of the Comptroller of Maryland, including the investigation and resolution of all differences (repeat).

Status: Not Resolved

As of February 20, 2015, the most recent reconciliation of the aggregate balance of individual inmate accounts in MOBS with the corresponding Comptroller's records was performed for July 2014 activity. DPSCS management advised that the last reconciliation was performed for July 2014 because it has been unable to obtain the financial activity reports needed to perform the reconciliations since the replacement of MOBS with a newer version (MOBS II) in August 2014. As a consequence, the present unreconciled difference is unknown.

In our August 6, 2012 audit report, OLA reported that the MOBS balance exceeded the related Comptroller's balance by approximately \$309,000 as of June 30, 2011. DPSCS's July 2014 reconciliation indicated that the MOBS balance exceeded the related Comptroller's balance by approximately \$182,000. Although this represented an approximate \$127,000 reduction in the unreconciled difference, it includes the impact of a June 2014 transfer of \$200,000 to the Comptroller's account that was made in accordance with the April 2013 *Joint Chairmen's Report* to reduce the difference. Prior to the transfer, and since the May 2013 reconciliation, the monthly unreconciled difference had been \$382,000.