



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

March 5, 2014

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Delegate Norman H. Conway
Chairman, House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate Conway:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Public Safety and Correctional Services (DPSCS) - Central Region Finance Office (CRFO) to resolve the four repeat findings (presented as two findings) in our August 6, 2012 audit report. This review was conducted in accordance with a requirement specified in the April 2013 *Joint Chairmen's Report* (JCR), page 103. The JCR required that, prior to release of \$200,000 of its administrative appropriation for fiscal year 2014, CRFO must take corrective action 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 2014.

The August 6, 2012 CRFO audit report contained four repeat audit findings presented as two findings (findings 1 and 3) that were addressed by two recommendations. In accordance with the aforementioned JCR requirement, DPSCS provided a report to OLA, dated January 1, 2014, detailing the corrective actions that CRFO has 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 CRFO 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.

DPSCS's January 1, 2014 status report indicated that the recommendations for these repeat findings would be fully implemented by August 31, 2014. Our review confirmed that these recommendations had not been satisfactorily addressed. Accordingly, we agree with DPSCS's assessment that additional actions are needed to resolve these findings.

Senator Edward J. Kasemeyer
Delegate Norman H. Conway

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A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 1. Exhibit 2 contains OLA's findings regarding these repeat findings. After discussing our review results, DPSCS understood our positions, generally agreed with the accuracy of the information presented, and indicated that the remaining corrective actions will be taken. We wish to acknowledge the cooperation extended to us by CRFO 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 James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, 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 Martin J. O'Malley
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Douglas F. Gansler
Secretary T. Eloise Foster, Department of Budget and Management
The Honorable Gregg L. Hershberger, Secretary, DPSCS
Patricia Donovan, Deputy Secretary, Administration, DPSCS
Carroll A. Parrish, Deputy Secretary, Operations, DPSCS
Patricia A. Moore, Director of Administrative Services, DPSCS
Christopher R. McCully, Director, Division of Financial Services, DPSCS
Joseph M. Perry, Inspector General, DPSCS
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Rebecca J. Ruff, Policy Analyst, Department of Legislative Services

Exhibit 1 to March 5, 2014 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 - Central Region Finance Office

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<p>Inmate Funds</p> <p>1a. We recommend that CRFO 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.</p> <p>Equipment</p> <p>3a. We recommend that CRFO comply with the requirements of the <i>Inventory Control Manual</i> by properly maintaining all equipment records on a current basis.</p>	<p>Not Resolved</p> <p>Not Resolved</p>

Recommendations are more fully described in Exhibit 2.

Exhibit 2 to March 5, 2014 Letter to Joint Chairmen

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

Inmate Funds

Prior Report Recommendation – Finding 1a

We recommend that CRFO 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

CRFO has not fully reconciled the aggregate balance of individual inmate accounts recorded in MOBS with the corresponding records of the Comptroller of Maryland. DPSCS's January 1, 2014 status report indicated that the reconciliation for the month of April 2013 was complete. However, according to the April reconciliation prepared by CRFO, which we did not audit, there was an unresolved difference of \$341,927 with the balance in MOBS exceeding the balance in the Comptroller's records by that amount. Furthermore, although the status report anticipated that reconciliations for May and June 2013 would be completed by January 31, 2014, at the time of our review in February 2014, those reconciliations had not been completed.

Equipment

Prior Report Recommendation – Finding 3a

We recommend that CRFO comply with the requirements of the *Inventory Control Manual* by properly maintaining all equipment records on a current basis (repeat).

Status: Not Resolved

Our August 6, 2012 audit report noted that the equipment records were not adequately maintained, as required by the *Manual*. To address the related recommendation, in October 2013, CRFO conducted equipment inventory controls training for certain selected personnel. The training objectives included, in part, reviewing key aspects of the *Manual* and reviewing roles and responsibilities of property and accountable officers. In addition, CRFO recently completed physical inventory counts at certain institutions, but the reconciliation of those counts to the related equipment records were still in process. We were advised that the inventory counts at the remaining institutions have been scheduled.