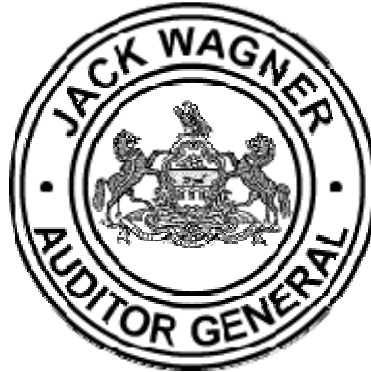


Commonwealth of Pennsylvania
Department of Corrections
Quehanna Motivational Boot Camp
July 1, 2004, to October 20, 2006
Performance Audit



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March 27, 2007

The Honorable Edward Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

This report contains the results of a performance audit of the Quehanna Motivational Boot Camp of the Department of Corrections for the period July 1, 2004, to October 20, 2006. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, and findings. The contents of the report were discussed with the management of the institution and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the Quehanna Motivational Boot Camp and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

Table of Contents

	Page
Background Information	1
Department of Corrections	1
Quehanna Motivational Boot Camp	1
Objectives, Scope, and Methodology	3
Audit Findings.....	5
Payroll and Timekeeping	5
Finding 1 – Quehanna had adequate internal control over time, leave and payroll deduction input in the SAP R/3 Payroll module.	5
Travel Expenses	5
Finding 2 – Quehanna’s travel expenditure costs were accurate and complied with Department policies and procedures.....	5
Maintenance Expense Management.....	5
Finding 3 – Quehanna complied with policies and procedures.	6
Status of Prior Audit Findings and Recommendations.....	7
Objectives and Methodology	7
Prior Audit Findings.....	7
Finding I-1 – Incompatible IES procurement role-mapping eliminated the segregation of duties control.....	7
Finding I-2 – Purchasing card limits were excessive.	8
Finding II-1 – Warehouse duties were not adequately segregated.....	8
Finding III-1 – Monitoring weaknesses were noted in the waste removal and medical services contracts.	8
Audit Report Distribution List.....	10

Background Information

Department of Corrections

Section I of Act 408 of 1953 established the Pennsylvania Bureau of Corrections. In January 1981, responsibility for bureau operations was transferred from the authority of the Attorney General to the Office of General Counsel. On December 30, 1984, the Governor signed Act 245 of 1984, elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.¹

The main purpose and goal of Corrections is to maintain a safe and secure environment for the incarcerated offenders and the staff responsible for them. In addition, Corrections is committed to providing opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens. The Department of Corrections mission is:

To protect the public by confining persons committed to our custody in safe, secure facilities and to provide opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens; while respecting the rights of crime victims.

The Department of Corrections is responsible for all adult offenders serving state sentences of two years or more. As of June 30, 2006, it operated 24 correctional institutions, 1 regional correctional facility, 1 motivational boot camp, a training academy, and 15 community pre-release centers throughout the Commonwealth of Pennsylvania.

Quehanna Motivational Boot Camp

The Quehanna Motivational Boot Camp is a minimum-security facility for adult male and female offenders. It is located in the Township of Karthaus, Clearfield County, approximately 30 miles north of Clearfield.

The National Commission on Accreditation for Corrections accredits Quehanna. The mission of Quehanna is to protect the citizens of the Commonwealth by managing the facility in a safe, secure manner and is a humane alternative to standard incarceration. The purpose of the voluntary six-month program is to enforce positive life-building skills in a regimented, disciplined environment in concert with intense drug and alcohol therapy and educational classes. The goal of this program is to provide each inmate with the opportunity and mental tools for positive change.

¹ 71 P.S. § 310.1.

Background Information

Quehanna is located on approximately 50 acres of land. The physical plant consists of ten housing units, education classrooms, control center, visiting room, dietary and dining halls, warehouse, laundry, infirmary, and administrative offices.

The following schedule presents select unaudited Quehanna operating data compiled by the Department of Corrections for the fiscal years ended June 30, 2004, 2005, and 2006:

	2004	2005	2006
Operating expenditures (rounded in thousands) ²			
State	12,640	12,674	13,091
Federal	0	0	5
Total	\$12,640	\$12,674	\$13,096
Inmate population at year-end	283	271	273
Rated cell capacity at year-end	413	413	414
Percentage of capacity at year-end	68.5%	65.6%	65.9%
Average monthly inmate population	295	258	268
Average cost per inmate ³	\$42,921	\$49,109	\$48,882

² Operating expenditures were recorded net of fixed asset costs, an amount that would normally be charged as part of depreciation expense.

³ Average cost was calculated by dividing the operating expenditures by the average monthly inmate population.

Objectives, Scope, and Methodology

We selected the audit objectives detailed in the body of the report from the following general areas: Payroll and Timekeeping, Travel Expenses, and Maintenance Expense Management. In addition, we determined the status of recommendations made during the prior audit of the Quehanna Motivational Boot Camp. The specific objectives for this audit were:

- To determine if Quehanna had adequate internal controls over the SAP R/3 Payroll module, including the input of time, leave and payroll deductions. (Finding 1)
- To determine the accuracy of travel expenditures as well as compliance with applicable policies and procedures. (Finding 2)
- To determine the accuracy of maintenance expenditures. (Finding 3)
- To determine the status of management's corrective actions for prior audit findings that addressed segregation of duties in procurement and warehousing, monitoring of service contracts and reducing limits for the Visa purchasing cards.

The scope of the audit covered the period from July 1, 2004, to October 20, 2006, unless indicated otherwise in the individual report chapters.

To accomplish these objectives, auditors reviewed applicable Commonwealth policies regarding travel and subsistence allowances⁴ and the Department's policies for facility maintenance.⁵

Auditors interviewed appropriate management and staff responsible for payroll activity and maintenance operations and record keeping.

For the testing of the internal controls for payroll and time keeping, auditors randomly selected and tested 30 employee records from the last payroll generated under the former

⁴ The Commonwealth of Pennsylvania, Governor's Office Management Directive Number 230.10 Amended, Travel and Subsistence Allowances dated December 28, 2005; The Commonwealth of Pennsylvania, Department of Corrections Policy Number 6.3.1, Facility Security Manual, Section 11-Vehicles; The Commonwealth of Pennsylvania, Department of Corrections, Memo - Use of Personal Vehicles dated January 30, 2006.

⁵ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1 Facility Maintenance, October 10, 2005.

Objectives, Scope, and Methodology

accounting system, and compared the employees' gross salaries to the gross salaries generated under the SAP R/3 Payroll module for the pay period ending January 31, 2004. They also analyzed the leave usage, overtime records, shift differential rates, and additional supporting documentation for the 30 selected employee records posted to the pay periods ending February 14, 2006 and February 28, 2006, to determine if payroll was recorded properly.

To determine the accuracy of travel expenditures as well as compliance with applicable policies and procedures auditors tested 15 of 91 employees travel activity transactions from July 1, 2005 to June 30, 2006.

To determine the accuracy of maintenance expenditures auditors randomly selected and tested 32 of 510 work orders from June 1, 2006 to September 1, 2006.

Finally, auditors performed tests, as necessary, in prior audit areas to substantiate their understanding of Quehanna's progress in resolving the prior audit findings.

Audit Findings

Payroll and Timekeeping

Finding 1 – Quehanna had adequate internal control over time, leave and payroll deduction input in the SAP R/3 Payroll module.

The test work performed revealed that, hours worked and benefits were documented and calculated correctly. Auditors also found that leave tested was calculated and recorded properly. Leave slips were completed and submitted for each instance of leave recorded. Overtime was authorized properly and justified. Based on this testing, we concluded that adequate control existed over the input and processing of payroll.

Travel Expenses

Quehanna's employees are entitled to receive reimbursement for expenses incurred in the performance of their duties within certain maximum limits. The expense limits are not flat allowances. Employees are only reimbursed for actual amounts expended for meals, transportation, mileage, and overnight accommodations. Quehanna implemented the Commonwealth's Integrated Enterprise System (IES) Travel Manager application in June 2004. The implementation significantly changed the travel expense process.

Finding 2 – Quehanna's travel expenditure costs were accurate and complied with Department policies and procedures.

Our audit of travel expenditures revealed that Quehanna complied with the Department's policies and procedures. Expenditures were accurate; reimbursements were approved properly and were completed according to applicable policies and procedures. Because of our testing, we concluded that adequate control existed over travel expenditures.

Maintenance Expense Management

Quehanna Maintenance Department's primary objective is to provide routine and preventive maintenance. Quehanna is required to maintain a written physical plant preventive maintenance plan that includes provisions for emergency repairs and replacement in life-threatening situations.

Audit Findings

Finding 3 – Quehanna complied with policies and procedures.

Auditors found that the 32 work orders selected for testing were properly documented, reviewed, approved, and completed in a timely manner. The requests were properly approved, justifications were appropriate and all required documentation, such as Agency Purchase requests, invoices, and receiving reports were included. Based on this testing, we concluded that maintenance operations expenditures were accurate.

Status of Prior Audit Findings and Recommendations

Objectives and Methodology

The following is a summary of the conclusions and recommendations presented in our audit report from July 1, 2002, to August 6, 2004, along with a description of Quehanna's disposition of the recommendations. One or more of the following procedures determined the status of the conclusions and recommendations:

- A review of the Department's written response, dated April 24, 2006, replying to the Auditor General report.
- Tests performed as part of, or in conjunction with the current audit.
- Discussions with appropriate Quehanna personnel regarding the prior audit findings and recommendations.

Prior Audit Findings

Finding I-1 – Incompatible IES procurement role-mapping eliminated the segregation of duties control.

Our prior audit reported that Quehanna did not adequately segregate the duties assigned to employees in the IES procurement system in order to reduce the risk of errors or fraud. The purchasing agent, stock clerk and the food service manager were assigned roles within the IES system that allowed them to create purchase orders and receive goods. We recommended that Corrections and Quehanna management evaluate the IES roles assigned to each Quehanna employee and make the necessary changes in order to ensure the proper segregation of duties.

Status:

Our current audit found that Quehanna's purchasing functions were transferred to the State Correctional Institution at Houtzdale. Management indicated they would review the roles assigned to the remaining employees and make the necessary changes. They will consider establishing compensating controls if optimum segregation of duties cannot be achieved.

Status of Prior Audit Findings and Recommendations

Finding I-2 – Purchasing card limits were excessive.

Our prior audit reported that the Visa purchasing cards had monthly expenditure limits substantially higher than the actual monthly expenditures. We recommended that Camp management evaluate the five Visa purchasing cards monthly credit limits and make the necessary reductions.

Status:

Our current audit found that Quehanna's purchasing functions were transferred to the State Correctional Institution at Houtzdale. Therefore, purchasing cards are no longer kept at Quehanna. We will address this issue during the next audit of Houtzdale.

Finding II-1 – Warehouse duties were not adequately segregated.

Our prior audit found that Quehanna did not have adequate control over its warehouse inventory. The warehouse clerk was delegated both custodial and record-keeping duties. We recommended that Quehanna develop and implement internal control policies and procedures over warehouse inventory to ensure adequate segregation of custodial and record-keeping duties.

Status:

The current audit revealed that management was unable to segregate warehouse custodial and record-keeping functions due to the limited number of employees available to staff the operation. As an alternative to our recommendation, management implemented a compensating control to address the issue by requiring an employee who is independent of the warehouse function to conduct inventory spot checks. Because of their action, Quehanna has addressed our recommendation adequately.

Finding III-1 – Monitoring weaknesses were noted in the waste removal and medical services contracts.

Municipal Waste Removal

Our prior audit found that Quehanna did not pay for waste removal and medical services for March, April, and May 2003, until December 2003. In addition, the March, April, and June 2004 services remained unpaid as of August 6, 2004.

Status of Prior Audit Findings and Recommendations

Mental Health Services

Our prior audit found that Quehanna paid the Department of Corrections approximately \$60,752 from August 2003 through June 2004 for mental health services not received.

We recommended that the Camp monitor service purchase contracts and respond timely to changes in contract needs and costs. In addition, we recommended that the Camp closely monitor budget charges and Corrections service contract expenditure accounts. Lastly, we recommended that Corrections adjust erroneous expenditure postings to Camp documents for the mental health services not received.

Status:

The current audit found that all municipal waste removal invoices were paid timely. In addition, Corrections adjusted the erroneous expenditure postings for the Camp's mental health services not received. The Camp has complied with our recommendations.

Audit Report Distribution List

This report was initially distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

The Honorable Gibson E. Armstrong
Chair
Senate Appropriations Committee
Senate of Pennsylvania

The Honorable Gerald J. LaValle
Acting Democratic Chair
Senate Appropriations Committee
Senate of Pennsylvania

The Honorable Dwight Evans
Chair
House Appropriations Committee
Pennsylvania House of Representatives

The Honorable Mario J. Civera Jr.
Republican Chair
House Appropriations Committee
Pennsylvania House of Representatives

State Treasurer
Pennsylvania Treasury Department

The Honorable Jeffrey A. Beard
Secretary
Pennsylvania Department of Corrections

Mary K. DeLutis
Comptroller
Public Protection and Recreation
Office of the Budget

Quehanna Boot Camp
Jill Fluck
Superintendent

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at www.auditorgen.state.pa.us.