

**Commonwealth of Pennsylvania**  
**Department of Corrections**  
**State Correctional Institution at Fayette**  
**December 1, 2002, to June 10, 2005**  
**Performance Audit**





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June 5, 2006

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

Dear Governor Rendell:

This report contains the results of a performance audit of the State Correctional Institution at Fayette of the Department of Corrections from December 1, 2002 to June 10, 2005. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The report notes that Fayette's incident reporting program was deficient. Our testing of Fayette's procurement also identified control weaknesses: purchasing card credit limits exceeded the institution's operational requirements and Fayette did not adequately review advancement account payments. The contents of the report were discussed with the officials of the institution, and their comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the State Correctional Institution at Fayette and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER  
Auditor General



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## **Background Information**

### **Department of Corrections**

The Pennsylvania Bureau of Corrections was established by the Act of July 29, 1953, P.L. 1428, Section I. In January 1981, responsibility for bureau operations was removed from the authority of the Attorney General and transferred to the Office of the General Counsel. On December 30, 1984, the Governor signed Act 245 of 1984, which elevated the Bureau of Corrections to cabinet level status as the Department of Corrections (Department).

The main purpose and goal of the Department is to maintain a safe and secure environment for both incarcerated offenders and the staff responsible for them. In addition, the Department believes that every inmate should have an opportunity to be involved in a program of self-improvement.

The Department is responsible for all adult offenders serving state sentences of two years or more. As of June 30, 2004, it operated 24 correctional institutions, 1 regional correctional facility, 1 motivational boot camp, a training academy, and 14 community pre-release centers throughout the Commonwealth of Pennsylvania (Commonwealth).

### **State Correctional Institution at Fayette**

The State Correctional Institution at Fayette (Fayette) is a maximum-security prison located in Luzerne Township, Fayette County. It is situated on approximately 258 acres of land with 53 acres inside a perimeter fence and 692,000 square feet of building space. The facility has 11 housing units, an administration building, a facilities management complex, a visiting complex, and separate buildings for health services, dietary services, maintenance shops, correctional industries, a chapel, learning resources, and inmate activities/recreation. Fayette is committed to ensuring the public's safety and the safe and humane incarceration of offenders.

## **Background Information**

The following schedule presents select unaudited Fayette operating statistics compiled by the Department for the year ended June 30, 2004:

	<u>2004</u>
Operating expenditures (rounded in millions) <sup>1</sup>	\$23.1
Inmate population at year end	1,387
Capacity at year end	1,900
Percentage of capacity at year end	73.0%
Average monthly inmate population	504
Average cost per inmate <sup>2</sup>	\$45,857

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<sup>1</sup> Operating expenditures are recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense.

<sup>2</sup> Average cost was calculated by dividing the operating expenditures by the average monthly inmate population.

## *Objectives, Scope, and Methodology*

We selected audit objectives, detailed in the body of this report, from the following general areas:

- Client Management, including the safety and security of Fayette's inmates, employees, and visitors.
- Expense Management, including procurement through the SAP R/3 Materials Management module, advancement account and Visa purchasing cards.
- Personnel Management, including the facility's implementation of the SAP R/3 Payroll module.
- Fixed Asset Management, including the adequacy of the facility's controls over its fixed assets.

To accomplish these objectives, we interviewed various facility management and staff, reviewed available records, and analyzed pertinent regulations, policies, and guidelines. The report does not include a status of prior audit findings and recommendations since this is the first time the Department of the Auditor General audited Fayette.

The scope of the audit was from December 1, 2002, to June 10, 2005, unless indicated otherwise in the individual report chapters.

## *Chapter I – Safety and Security*

### **Objectives and Methodology**

The Department's mission statement reads, in part:

*Our mission is to protect the public by confining persons committed to our custody in safe, secure facilities...*

Accordingly, the Department has established guidelines to ensure the safety and security of institution employees, inmates, and visitors. More specifically, the Department's Safety Procedures Manual,<sup>3</sup> Facility Security Manual,<sup>4</sup> and emergency preparedness policy<sup>5</sup> outline the policies and procedures for fire safety and incident management in its correctional institutions. The Safety Procedures Manual addresses the required content and frequency of fire safety inspections, fire drills, and fire incident reports, as well as the necessary components of facility fire plans. The Facility Security Manual identifies the manner and period within which extraordinary incidents must be reported to specified Department officials.

The objectives of this portion of the audit were to determine whether Fayette complied with the aforementioned Department policies and procedures and to assess the adequacy of its fire safety and incident reporting programs. To accomplish these objectives, we performed the following procedures:

- Interviewed appropriate staff, including the Safety Manager and Security Captain.
- Reviewed the Department's Safety Procedures Manual, Facility Security Manual, and emergency preparedness policy, as well as Fayette's fire evacuation plan.
- Toured 8 buildings and inspected exit signs, fire evacuation diagrams, and 20 fire extinguishers.
- Examined 16 monthly fire/safety/sanitation inspection reports from January 2004 through April 2005.

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<sup>3</sup> Commonwealth of Pennsylvania Department of Corrections, Policy Number 15.1.1, "Safety," July 16, 2003.

<sup>4</sup> Commonwealth of Pennsylvania Department of Corrections, Policy Number 6.3.1, "Facility Security," February 14, 2005.

<sup>5</sup> Commonwealth of Pennsylvania Department of Corrections, Policy Number 6.7.1, "Emergency Preparedness," June 11, 2004.

## **Chapter I – Safety and Security**

- Examined the report of the 2005 inspection of the fire alarm system.
- Reviewed documentation of the quarterly fire drills conducted from January 2004 through March 2005, as well as the report of a fire drill conducted in May 2004 by Fayette and 10 different community emergency response teams.
- Reviewed the report of a community alert network exercise conducted in January 2005.
- Analyzed each of the 74 extraordinary occurrence reports, and 2 fire reports prepared between December 2002 and March 2005.

### **Audit Results**

#### **Finding I-1 – The fire safety program complied with relevant Department guidelines.**

Fayette's fire plan incorporated detailed floor plans, as well as procedures for fire notification, fire evacuation, key control, and fire emergency response team deployment. Fayette conducted and documented the required monthly inspections of its standpipe and hose systems, fire pumps, and automatic sprinkler systems, as well as the required annual inspection of its fire alarm system. It also conducted at least one fire drill per quarter in all occupied buildings and over all occupied shifts. In May 2004, Fayette also organized and conducted a fire response exercise with ten different community emergency response teams. Furthermore, it established and tested its community alert network system. Finally, a tour of eight buildings disclosed that Fayette posted an evacuation plan in each building, lit all exit signs, and inspected each of 20 sampled fire extinguishers.

#### **Finding I-2 – Fayette did not submit extraordinary occurrence reports timely.**

Section 17 of the Department's Facility Security Manual specifies the required timelines for the submission of facility reports of extraordinary occurrences to Department officials. Section 17 requires facilities to report the following extraordinary occurrences to the appropriate Regional Deputy Secretary by phone within one hour of occurrence: the activation of an emergency plan, the death, or serious assault of a staff member, the homicide of an inmate, inmate escape, or the use of a firearm by a staff member. The facility must report all other extraordinary occurrences "by fax to the appropriate Deputy Secretary and the Press Secretary no later than 10:00 a.m. the next working day."

The review of Fayette's 74 extraordinary occurrence reports between December 2002 and March 2005 disclosed that Fayette management did not enforce the required timelines for report submission. The facility did not submit 21 (or 41 percent) of the 51 extraordinary occurrence reports by 10:00 a.m. of the next working day. The facility exceeded Department reporting timelines on average by approximately 16 hours. The 21 late

## **Chapter I – Safety and Security**

submissions ranged from one hour to 76.6 hours beyond the 10:00 a.m. requirement. Late submissions included reports of a suicide attempt, three separate inmate assaults on staff members requiring in-house medical treatment, two incidents involving serious contraband, six incidents involving the planned use of staff member force, and four instances involving the unplanned use of force.

Moreover, Fayette management did not provide transmission receipts or any other evidence that it reported four additional extraordinary occurrences to the appropriate Deputy Secretary or Press Secretary. These four incidents included two instances involving the planned use of staff force, one unplanned use of force, and one unauthorized job action.

Failure to notify the Department's Central Office of extraordinary occurrences in a timely manner could delay Central Office review and follow-up of critical events at the facility. The delay could hinder the arrival of necessary assistance or oversight to the institution, and could also result in ill-informed Department decisions or public disclosures.

### **Recommendation:**

- Fayette management should enforce the Department's timeline requirements for the submission of extraordinary occurrence reports.

### **Management Comments:**

Management reserved comment until the Department has reviewed the final report.

## **Chapter II – Materials Management**

### **Objectives and Methodology**

The Commonwealth redesigned administrative functions, including procurement, by replacing outdated computer systems with new software. This project, currently labeled the “Integrated Enterprise System”<sup>6</sup> (IES) utilizes the SAP R/3 software package. The Department began to utilize SAP R/3 in its procurement processes in October 2002.

Fayette pays for goods and services through three methods: the advancement account, Visa purchasing cards, and the use of Pennsylvania treasury checks. The method of payment is dependent upon the dollar value and the nature of the purchase. The institution processed the procurement of all items purchased through a state contract or transactions valued greater than \$3,000 entirely through the SAP R/3 Materials Management module. Fayette utilized its Visa purchasing cards for other transactions less than \$3,000 and the Department’s centralized advancement account for those less than \$1,500.

The advancement account is a checking account centrally controlled by the Department’s Comptroller. The Comptroller authorizes each of the correctional facilities to prepare checks for individual disbursements restricted to a maximum of \$1,500 per transaction.

The Commonwealth and the Department have developed policies and procedures regarding procurement. These guidelines specify not only the aforementioned monetary thresholds for procurement method but also the required authorizations. Additionally, the guidelines discuss the segregation of employee duties. The Department’s Purchasing Card Manual addresses purchasing card security, issuance, and usage, as well as card activity documentation and reconciliation.

The objectives of this part of the audit were: to determine whether Fayette complied with Commonwealth and Department policies and procedures for use of the advancement account, Visa purchasing cards and the SAP R/3 Materials Management module, and to assess the adequacy of relevant internal controls. To accomplish these objectives, we performed the following procedures:

- Interviewed appropriate management and staff, including accounting and purchasing personnel.

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<sup>6</sup> The Commonwealth of Pennsylvania officially changed the name of “ImaginePA” to “Integrated Enterprise System” (IES) on August 1, 2004.

## **Chapter II – Materials Management**

- Reviewed the Commonwealth’s Field Procurement Handbook<sup>7</sup> its SAP R/3 role-mapping guidelines,<sup>8</sup> as well as the Department’s Purchasing Card Manual.<sup>9</sup>
- Observed demonstrations of Fayette’s purchasing processes involving the advancement account, purchasing cards, and SAP R/3.
- Evaluated the physical security of Fayette’s five purchasing cards.
- Reviewed monthly activity statements for the five purchasing cards from July 15, 2004, through March 15, 2005.
- Examined the supporting documentation associated with 30 purchasing card transactions processed from July 16, 2004, through March 15, 2005.
- Evaluated summaries of the SAP R/3 roles mapped to ten employees who were assigned SAP R/3 procurement roles.
- Analyzed the supporting documentation associated with 34 of 324 purchase orders initiated and processed solely through the SAP R/3 Materials Management module between July 1, 2004, and January 30, 2005.
- Examined the purchase orders, invoices, receiving reports, and checks associated with 18 of 89 purchases paid with an advancement account check between July 1, 2004, and March 4, 2005.

### **Audit Results**

#### **Finding II-1 – Fayette complied with Commonwealth and Department guidelines for procurement through the SAP R/3 Materials Management module, the advancement account and Visa purchasing cards.**

The review of 34 transactions processed solely through the module disclosed that the appropriate approvals, purchasing and receiving documents, and invoices accompanied the sampled disbursements. Additionally, Fayette adequately segregated the duties assigned to employees with access to this module.

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<sup>7</sup> Commonwealth of Pennsylvania Governor’s Office, Policy Number M215.3 Revision No. 4, “Field Procurement Handbook,” April 17, 2003.

<sup>8</sup> <http://www.ies.state.pa.us/imaginpepa/lib/imaginpepa/Allroles.html> View Date: June 10, 2005.

<sup>9</sup> Commonwealth of Pennsylvania Department of Corrections, “Purchasing Card Manual,” November 12, 1997.

## Chapter II – Materials Management

Review of 18 advancement account checks processed between July 1, 2004, and March 4, 2005 disclosed that the appropriate approvals, purchasing and receiving documents, and invoices accompanied the sampled disbursements.

Examination of 30 randomly selected purchasing card transactions disclosed that Fayette complied with Commonwealth and Department policies and procedures for such transactions. The appropriate approvals, purchasing and receiving documents, and invoices accompanied the sampled disbursements. Only authorized card users initiated the 30 reviewed purchasing card transactions. Additionally, Fayette personnel stored the purchasing cards in a secure location.

### **Finding II-2 – Purchasing card credit limits exceeded operational requirements.**

As of July 2004, Fayette had issued five purchasing cards, each with a monthly credit limit of \$150,000. The review of monthly credit card statements from July 16, 2004, through March 15, 2005 disclosed that the monthly credit limit for each card substantially exceeded the associated maximum and average monthly purchases, as illustrated in the following chart:

<u>Purchasing Card Location</u>	<u>Monthly Credit Limit</u>	<u>Average Monthly Purchase</u>	<u>Maximum Monthly Purchase</u>
Maintenance	\$150,000	\$38,000	\$50,000
Food	150,000	2,630	4,225
General	150,000	25,544	28,884
Medical	150,000	5,523	8,667
Inmate Education and Training	150,000	7,294	15,134

Monthly credit limits that far exceed the normal use of the card could lead to increased risk of inappropriate use of the cards, particularly if the cards fell into the hands of an unauthorized user. To lower the risk of excessive use of the purchasing cards, Fayette should base monthly credit limits on the expected monthly purchases of the cardholders.

#### Recommendation:

- Institution management should evaluate the monthly credit limits of Fayette's five purchasing cards and make any necessary reductions.

#### Management Comments:

Management deferred comment until the Department has reviewed the final report.

## **Chapter II – Materials Management**

### **Finding II-3 – Fayette did not review advancement account payments.**

Fayette did not adequately review the institution's advancement account payments. Normally, the institution's budget analyst received the vendor invoice, reviewed the supporting documentation and approvals, entered the invoice data into the SAP R/3 system, and then printed the resultant check. Institution management did not reconcile the advancement account check register with supporting documentation for purchases. As a result, any Fayette staff with authorization to enter the check request can control all aspects of the transaction process. Since Fayette management does not oversee the check writing process, any Fayette staff with authorization to enter the check request could write a check for personal use without detection. Although audit testing disclosed no exceptions, adequate management review is necessary to reduce the potential that funds could be misappropriated.

#### **Recommendation:**

- Department and institution management should periodically compare the advancement account check register to the associated supporting documentation.

#### **Management Comments:**

Management reserved comment until the Department has reviewed the final report.

## **Chapter III – Employee Payroll**

### **Objectives and Methodology**

The Commonwealth adopted the “Integrated Enterprise System” to streamline, standardize, and integrate key administrative functions by replacing outdated computer systems with new SAP R/3 software. The Department began to utilize the SAP R/3 Payroll module for its human resource and payroll processes in January 2004.

The objective of this part of the audit was to determine whether Fayette properly processed its payroll through the new SAP R/3 Payroll module. In order to accomplish this objective, we performed the following procedures:

- Interviewed personnel from the institution’s Human Resources Department.
- Compared the January 17, 2004, wage rates recorded for 35 of 253 employees in Fayette’s prior payroll system to the January 18, 2004, wage rates recorded for the same employees in the SAP R/3 Payroll module.
- Compared the leave slips and other supporting documentation to the wages and benefits of the above 35 employees for the four consecutive pay periods ended in February and March 2005.

### **Audit Results**

#### **Finding III-1 – Fayette properly processed its payroll through the new SAP R/3 Payroll module.**

The institution accurately recorded the beginning wage rates of the sample of 35 employees upon inception of the SAP R/3 software at the institution during January 2004. Additionally, Fayette properly processed the leave, wages, and benefits for the same 35 employees for the four consecutive pay periods ended in February and March 2005.

## **Chapter IV – Fixed Assets**

### **Objectives and Methodology**

Fayette management is responsible for the physical control, utilization, and serviceability of its fixed assets. The Department defines fixed assets as items of a longer-term nature (such as buildings, equipment, vehicles, or fences) that have a unit cost in excess of \$5,000. Fixed assets can also be systems with a total cost greater than \$5,000, but the individual component parts are less than \$5,000 (such as security camera systems).

The Department has established policies and procedures regarding the management of fixed assets. Section 7 of the Department's Fiscal Administration Procedures Manual addresses fixed asset identification, tagging, physical inventories, and the maintenance of inventory records.<sup>10</sup>

The objectives of this part of the audit were to determine whether Fayette complied with the above Department policies and procedures and to assess the adequacy of relevant internal controls. In order to accomplish these objectives, we performed the following procedures:

- Interviewed Fayette's Business Manager, Budget Analyst, and Information Technology Generalist.
- Reviewed the Department's Fiscal Administration Procedures Manual.
- Examined Fayette's fixed asset ledger and computer inventory list as of March 31, 2005.
- Inspected Fayette's fixed asset transaction journal for equipment purchases and transfers from December 2002 through March 2005.
- Examined 15 of 71 fixed assets, as well as the associated identification tags, purchase documents, and transfer documents.

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<sup>10</sup> Commonwealth of Pennsylvania Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," August 16, 2004.

**Audit Results**

**Finding IV-1 – Fayette adequately managed its fixed assets and complied with relevant Department policies and procedures.**

The institution conducted physical counts of its fixed assets during the fiscal years ended June 30, 2003, and 2004. The examination of 15 fixed assets and the associated supporting documentation disclosed that Fayette's inventory records accurately reported the tag numbers, description, cost, acquisition year, and location of the 15 reviewed items.

## *Audit Report Distribution List*

This report was initially distributed to the following:

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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](http://www.auditorgen.state.pa.us).