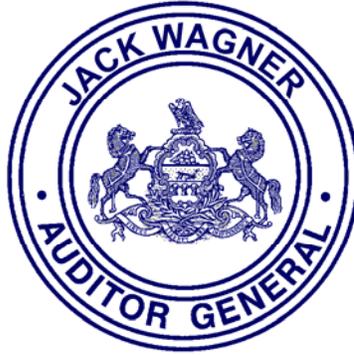


Commonwealth of Pennsylvania
Department of Corrections
State Correctional Institution at Houtzdale
July 1, 2005, to September 26, 2008
Performance Audit



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January 30, 2009

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 Houtzdale of the Department of Corrections from July 1, 2005, to September 26, 2008. 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, findings and recommendations. The report notes that the automotive vehicle reports at the State Correctional Institution at Houtzdale were incomplete. Additionally, the institution did not prepare or analyze comprehensive summaries of vehicle maintenance and repair costs. We discussed the contents of the report with the management of the State Correctional Institution at Houtzdale, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the State Correctional Institution at Houtzdale 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 General Assembly created the Pennsylvania Bureau of Corrections with the passage of Act 408 of July 29, 1953, P.L. 1428, Section I. In January 1981, responsibility for bureau operations moved from the authority of the Attorney General to the Office of General Counsel. On December 30, 1984, the Governor signed Act 245 of 1984,¹ elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.

The mission of the Department is to protect the public by confining persons committed to its custody in safe, secure facilities and to provide opportunities for inmates to acquire the skills and values necessary to become productive, law-abiding citizens.²

The Department is responsible for all adult offenders serving state sentences of two years or more. As of July 2008, it operated 25 correctional institutions, 1 regional correctional facility, 1 motivational boot camp, 1 training academy, and 13 community pre-release centers throughout the Commonwealth of Pennsylvania.³

State Correctional Institution at Houtzdale

The State Correctional Institution at Houtzdale is a medium security facility for adult male offenders. It is located in the Township of Woodward, Clearfield County, approximately 40 miles west of State College. Opened in January 1996, Houtzdale encompasses approximately 273 acres of land. Approximately 65 acres are located inside a double 14-foot fence. Ten housing units, a food service complex, a complex for maintenance and industries, a chapel, a complex for education and activities, laundry facilities, an inmate commissary, and an 18-bed infirmary are located inside the fence. The institution's warehouse, boiler plant, and water storage tank site are located just outside the fence perimeter.

¹ 71 P.S. § 310.1

² http://www.cor.state.pa.us/portal/lib/portal/overview_updated_july_2008.pdf View Date: June 6, 2008.

³ http://www.cor.state.pa.us/portal/lib/portal/overview_updated_july_2008.pdf View Date: June 6, 2008.

Background Information

The following schedule presents select unaudited Houtzdale operating statistics compiled by the Department for the years ended June 30, 2006, and 2007, and 2008:

	2006	2007	2008
Operating expenditures (rounded in thousands) ⁴			
State	\$51,129	\$53,895	\$67,996
Federal	<u>98</u>	<u>103</u>	<u>113</u>
Total	<u>\$51,227</u>	<u>\$53,998</u>	<u>\$68,109</u>
Inmate population at year end	2,318	2,312	2,239
Capacity at year end	1,900	1,900	1,900
Percentage of capacity at year end	122.0%	121.7%	117.8%
Average monthly inmate population	2,284	2,334	2,278
Average cost per inmate ⁵	\$22,428	\$23,138	\$29,899

⁴ Operating expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense.

⁵ Average cost was calculated by dividing the operating expenditures by the average monthly inmate population.

Objectives, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We selected the objectives from the following general areas: Facility Safeguards, including a review of Houtzdale's accreditation; Contract Management, including an assessment of the cost-effectiveness and monitoring of Houtzdale's general contracts; Expense Management, including a review of significant expense transactions; Inventory Management, including an assessment of the institution's management of its automotive fleet, as well as an evaluation of compliance with related policies; and Personnel Management, including reviews of Houtzdale's staffing levels and complaint management. The specific audit objectives were:

- To evaluate the existence and efficacy of measures taken by Houtzdale to remedy any deficiencies noted in the most recent standards compliance audit. (Finding 1)
- To assess the cost effectiveness and the monitoring of Houtzdale's service contracts. (Finding 2)
- To determine whether Houtzdale expenditures were reasonable and appropriate for the facility's mission. (Finding 3)
- To assess the adequacy of Houtzdale's management of its automotive fleet and to evaluate compliance with the Department policies and procedures that govern the assignment and use of institution vehicles. (Finding 4)
- To assess the sufficiency of Houtzdale's staffing levels and to determine whether the institution adequately addressed position vacancies. (Finding 5)
- To determine the existence and effectiveness of the employee complaint systems at Houtzdale. (Finding 6)
- To determine the status of management's corrective actions for prior audit findings that addressed the institution's pharmacy contract, maintenance expenses, and procurement role assignments for warehouse personnel.

Objectives, Scope, and Methodology

The scope of the audit was from July 1, 2005, to September 26, 2008, unless indicated otherwise in the body of the individual findings.

To accomplish these objectives, auditors reviewed the Department's policy and procedures regarding the accreditation program,⁶ and the ACA Manual of Accreditation Policy and Procedure.⁷ They also reviewed the Commonwealth's procurement manual,⁸ and the Department's policies regarding the security⁹ and the assignment and use of Commonwealth vehicles.¹⁰ Auditors reviewed the Department's Corrections Officer manpower survey dated October 17, 2007, and reviewed the collective bargaining agreements and rosters for the institution's eight active unions.

Auditors interviewed appropriate Houtzdale personnel including the Superintendent's Assistant, budget analyst, facility maintenance manager, dentist, chaplaincy program director, and purchasing manager and business manager. They also interviewed Houtzdale's Superintendent, Auto Trades Instructor, Major of the Guard, Human Resources Director and human resource personnel. They also interviewed Houtzdale personnel to obtain an updated understanding of the progress in implementing the prior audit's recommendations and other corrective action to resolve the prior findings.

To accomplish the Facility Safeguards objective, the auditors examined the ACA and CAC accreditation and visiting committee reports and associated correspondence for the audit completed in May 2007. They also examined Houtzdale's response to the issues of noncompliance detailed in the aforementioned audit report.

To accomplish the Contract Management objective, auditors examined the institution's detailed list of service purchase contracts for the fiscal year ended June 30, 2008, and examined the terms and bid documentation for 4 of 22 service contracts. The four reviewed contracts included separate contracts for waste removal, chaplaincy services, dental laboratory services, and fire alarm inspections. Auditors also analyzed selected invoices, service requests, and payments for chaplaincy services, dental laboratory services, fly ash removal, and fire alarm inspections for the fiscal years ended June 30, 2007, and June 30, 2008.

To accomplish the Expense Management objective, auditors examined the supporting documentation for 66 non-payroll transactions from 26 different vendors during the fiscal year ended June 30, 2007, and examined the supporting documentation for 20 payroll and non-payroll transactions during the fiscal year ended June 30, 2008.

⁶ Department of Corrections, Policy Number 1.1.2, "Accreditation Program and Annual Inspections," March 16, 2007.

⁷ www.aca.org View Date: September 1, 2008.

⁸ <http://www.portal.state.pa.us/portal/server.pt?open=512&objID=1277&&SortOrder=60&level=3&parentid=1271&css=L3&mode=2> View Date: September 14, 2008.

⁹ Department of Corrections, Policy Number 6.3.1, "Facility Security," issued April 13, 2006, and revised May 2008.

¹⁰ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," November 20, 2007.

Objectives, Scope, and Methodology

To accomplish the Inventory Management objective for management of the Automotive Fleet, auditors examined the institution's list of vehicle assignments as of August 6, 2008, and reviewed the odometer readings, fuel and oil data, and maintenance costs recorded on the July 2007 and July 2008 monthly activity reports for the institution's 34 vehicles. The auditors also analyzed in-house fuel consumption recorded on the monthly activity reports and vehicle fuel purchases recorded on monthly credit card statements for the fiscal year ended June 30, 2008. They examined the travel request forms, travel expense statements, and expenditure ledger entries associated with 15 of the 45 personal mileage reimbursements during the fiscal year ended June 30, 2008. Finally, the auditors analyzed the documentation associated with 44 of 9,951 general maintenance work orders completed between June 1, 2007, and May 31, 2008.

To accomplish the Personnel Management objective, auditors chose two areas of interest: staff levels and complaints management. Auditors analyzed the Department's 2008 individual staffing reviews of business office, maintenance, food service, correction counseling, psychology, dental, and activities personnel, as well as its 2006 staffing reviews of nursing and chaplaincy personnel at Houtzdale. They also examined Houtzdale's detailed salary and wage complement reports dated July 7, 2008, as well as its vacancy report dated June 30, 2008.

To accomplish the complaints management portion of the Personnel Management objective, auditors examined the logs of union grievances filed by institution employees between January 1, 2007, and June 30, 2008. They also analyzed documentation for the 53 grievances filed from January 1, 2007, to June 30, 2008, to assess timeliness and adherence to policies.

Auditors also performed tests, as necessary, in prior audit areas to substantiate their understanding of Houtzdale management's progress in resolving the prior audit findings.

Audit Results

Accreditation

The American Correctional Association (ACA) and the Commission on Accreditation for Corrections (CAC) are private, non-profit organizations that administer the only national accreditation program for all components of adult and juvenile corrections. The purpose of this voluntary accreditation program is to promote improvement in the management of correctional facilities through the ongoing development and revision of relevant, useful standards.¹¹

Although the accreditation process is a voluntary program, it affords participating agencies the opportunity to evaluate their operations against national standards, to remedy deficiencies, and to upgrade the quality of programs and services. A major component of the accreditation process is the standards compliance audit conducted by a visiting committee appointed by the ACA. The purpose of this audit is to measure operations against CAC standards based on documentation provided by the facility, facility tours, interviews with staff and inmates, and reviews with facility administrators. The audit report submitted to the CAC describes audit activities and findings and examines issues or concerns that may affect the quality of life and services in an agency or facility. The visiting committee narrative report also includes comments from interviews conducted with inmates and staff, as well as a detailed explanation of all non-compliant and inapplicable standards.¹²

Finding 1 – Houtzdale responded appropriately to the issues noted in the most recent standards compliance audit.

On August 13, 2007, the ACA and the CAC awarded a three-year accreditation to Houtzdale as a result of the audit completed in May 2007. According to the visiting committee report, Houtzdale complied with 100 percent of the 60 applicable mandatory standards and 445, or 99.3 percent, of the 448 applicable non-mandatory standards. The CAC granted a waiver to Houtzdale for one non-mandatory standard and discretionary compliance for two additional non-mandatory standards.

The CAC waived Houtzdale's requirement to develop a plan of action to remedy the visiting committee's finding regarding the institution's failure to provide 35 square feet of unencumbered space per inmate in its restricted housing unit. Houtzdale's request for the waiver indicated that each inmate in its segregation unit had 31.75 square feet of

¹¹ Department of Corrections, Policy Number 1.1.2, "Accreditation Program and Annual Inspections," March 16, 2007.

¹² www.aca.org View Date: September 1, 2008.

unencumbered space. Houtzdale believed that the space deficiency did not affect any inmate's quality of life, because the institution provided all inmates in segregation the opportunity to shower, go to the law library, and exercise daily in an outside exercise area.

The CAC granted discretionary compliance regarding its finding that Houtzdale's inmate population exceeded the institution's rated bed capacity. Houtzdale indicated that the Commonwealth was in statewide non-compliance at the direction of the Department. The CAC agreed with Houtzdale's assertions that the facility was safe and secure, that it provided all required and expected services, and that the size of the inmate population did not diminish the quality of life.

Finally, the CAC granted discretionary compliance regarding its finding that Houtzdale inmates held in disciplinary detention for greater than 60 days did not receive the same program services and privileges as those in administrative segregation and protective custody. The CAC accepted Houtzdale's contention that the Department directed these practices/policies. In an undated memorandum to all Commonwealth correctional institution superintendents, the Department stated:

...It is our philosophy that inmates who have "earned" disciplinary detention for periods longer than 60 days should not be rewarded for their poor behavior. This should not be interpreted to mean that inmates are not receiving ALL of their basic needs. Healthcare, food service, hair care, educational, access to courts, etc. are all provided services to inmates housed in disciplinary, administrative, and protective custody. Items such as televisions, etc. will not be provided to inmates housed in disciplinary detention for 60 days or longer.

Accordingly, the CAC granted discretionary compliance for this statewide issue of noncompliance.

Contract Management

Commonwealth institutions often contract with vendors instead of providing services in-house, because the services may not warrant full-time positions or institution personnel may not possess the necessary expertise. Contracted services include but are not limited to medical services, religious services, equipment service and maintenance, and waste removal.

The Commonwealth has established policies and procedures for the procurement of services. These policies and procedures address the monetary thresholds and procedures for formal bids, as well as contract payment methods and requirements.¹³ Houtzdale's management is responsible for effectively monitoring contracted services performed on site.

¹³ Commonwealth of Pennsylvania Governor's Office, Policy Number M215.3, Revision No. 4, "Field Procurement Handbook," April 17, 2003.

Audit Results

Finding 2 – Service contracts were cost-effective and monitored properly.

Houtzdale bid and/or awarded the four sampled contracts in compliance with Commonwealth procurement policies and procedures. Moreover, the reviewed service contracts did not duplicate, overlap, or conflict with institution efforts to provide similar or related goods and services. Finally, the institution ensured compliance with the terms of agreement and verified the accuracy of vendor invoices prior to approval for payment.

Expense Management

The mission of Houtzdale is to protect the public by confining persons committed to its custody in a safe, secure facility and to provide opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens.¹⁴ To accomplish its mission, Houtzdale provides various maintenance, nursing, chaplaincy, education, counseling, and administrative services. During the fiscal year ended June 30, 2007, Houtzdale expended approximately \$54 million for its operations, including about \$36.2 million in payroll expenses. During the fiscal year ended June 30, 2008, Houtzdale expended approximately \$68.1 million for its operations, including about \$38.0 million in payroll expenses.

Finding 3 – Expenditures were reasonable and appropriate for the facility’s mission.

The review of the supporting documentation for 66 transactions from 26 different vendors during the fiscal year ended June 30, 2007, and for 20 transactions involving three different vendors during the fiscal year ended June 30, 2008, did not disclose any excessive expenditures. The sampled expenditures, which totaled approximately \$347,000 in the fiscal year ended June 30, 2007, and \$265,000 in the fiscal year ended June 2008, were reasonable and necessary for operations. The 66 transactions during the fiscal year ended June 30, 2007, involved water and sewage services, educational supplies, heating fuel, electricity, housekeeping supplies, food supplies, and inmate apparel. The 20 transactions from the fiscal year ended June 30, 2008, included Department-wide lump sum payments to employees on the corrections management pay scale and military stipend increases, as well as expenses for travel and drug test services.

¹⁴ http://www.cor.state.pa.us/portal/lib/portal/overview_updated_july_2008.pdf View Date: October 22, 2008.

Automotive Fleet Management

Houtzdale owns/leases and operates 34 licensed motor vehicles, including those for maintenance, security, and business travel. The institution's automotive fleet consists of five central pool vehicles and 29 vehicles assigned to various departments. Houtzdale's maintenance department is responsible for the maintenance and repair of all 34 vehicles in the institution's fleet, while the Major of the Guard is responsible for the schedule and disbursement of the institution's five central pool vehicles.

The Department has established policies and procedures to govern the assignment and use of institution vehicles. The policies restrict Commonwealth vehicle usage to official business and limit reimbursements for the use of personal vehicles. The policies also address general operational procedures, including those regarding the documentation of vehicle mileage, fuel purchases, credit card expenditures, and repair costs.

Finding 4 – Although Houtzdale utilized its automotive fleet adequately, the vehicle reports were incomplete.

Houtzdale utilized its automotive fleet adequately. The review of monthly activity reports for July 2007 and July 2008 disclosed that the institution's central pool vehicles were driven an average of approximately 11,900 miles during the fiscal year ended June 30, 2008. Overall, institution vehicles (including those vehicles assigned to support services such as maintenance and security) were driven an average of about 5,800 miles during the same fiscal year. Additionally, the review of documentation associated with personal mileage reimbursements revealed that Houtzdale enforced Department policy designed to minimize personal mileage reimbursements. Houtzdale management approved requests for personal vehicle travel/reimbursement only when institution vehicles were not available. Finally, Houtzdale's Major of the Guard scheduled fleet vehicle usage for official business only.

Conversely, Houtzdale's automotive fleet reports were incomplete. Although the institution's automotive shop recorded the labor and material costs for vehicle preventive maintenance and repairs on individual work orders, Houtzdale did not prepare or analyze comprehensive summaries of vehicle maintenance and repair costs in order to manage its fleet. Moreover, Houtzdale incompletely and, at times, erroneously prepared the standard monthly activity reports (STD – 554) for its 34 licensed motor vehicles. The review of monthly activity reports from July 2007 through June 2008 disclosed that the institution did not complete the report sections for maintenance, accident, and credit card costs for any of its 34 vehicles as required by Department policy. Additionally, on four occasions, the institution reported that its vehicles received in-house fuel when vehicles from other institutions actually received the fuel.

Section 8.C.1 of the Department's fiscal administration procedures manual states, in part:

... An STD – 554, Monthly Automotive Activity Report shall be maintained for each vehicle. Information maintained on this form includes daily driver,

Audit Results

mileage, travel locations, gas, oil, and maintenance. At the end of each month, this form shall be turned over to the facility's Automotive Officer...

... At the end of each month, the facility Automotive Officer shall complete a summary report to be forwarded to the Central Office Automotive Officer... The report shall include Month/Year of report, equipment number, ending odometer reading, days used, miles driven, total in-house fuel used, cost of in-house fuel, total credit card cost, total monthly repair costs and total accident repair costs.¹⁵

Houtzdale management had not established procedures to routinely summarize or analyze automotive cost data or to review monthly activity reports for completeness and accuracy in order to enforce Department automotive policies. As a result, Houtzdale management could not effectively assess or monitor the efficiency of the institution's automotive operations.

Recommendation:

In order to ensure efficient and effective automotive operations, Houtzdale management should develop and enforce procedures to summarize and analyze automotive cost and usage data and to review the standard monthly automotive activity reports for completeness and accuracy.

Management Comments:

Management agrees with the finding and is in the process of developing procedures to correct the deficiencies.

Staffing Levels

The Department periodically conducts manpower surveys in order to assess each institution's security staffing requirements. The Department most recently conducted its corrections officer manpower survey at Houtzdale in October 2007. Between April 2006 and April 2008, the Department developed staffing requirements/plans for additional institution departments, including maintenance, food service, business office, correction counseling, activities, chaplaincy, nursing, psychology, and dental. Overall, the Department developed proposed staffing levels that addressed 480 of the institution's 615 salaried and wage positions.

¹⁵ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," November 20, 2007.

Finding 5 – The employee complement satisfied Department requirements, and the institution adequately addressed its position vacancies.

Houtzdale’s employee complement satisfied Department requirements. At July 7, 2008, the complement was commensurate with the staffing levels proposed in the individual Department staffing surveys conducted from April 2006 through April 2008.

Additionally, Houtzdale adequately addressed its position vacancies. Internal reports disclosed that 13 of Houtzdale’s 579 available salaried positions and 10 of its 36 available wage positions were vacant at June 30, 2008.

Personnel from Houtzdale’s Human Resources Department indicated that Houtzdale was in the process of actively addressing all 23 above vacancies. As of July 16, 2008, Houtzdale had taken the following steps:

Disposition	Number of Positions
The institution filled the vacancies, including those for nine corrections officers.	10
The institution was interviewing for the positions.	6
Although the institution posted the position vacancies, it received no applications.	2
The selected candidates were awaiting criminal history and medical clearances.	2
Although the institution has conducted interviews, it requested additional applicants from the Department.	1
The Department claimed the position, thereby eliminating the vacancy.	1
The institution will fill the vacancy through a transfer from another facility.	<u>1</u>
Total number of addressed vacancies	<u>23</u>

As a result of the actions taken by the Human Resources Department, we concluded that Houtzdale effectively managed its staffing levels.

Employee Complaints

Houtzdale employs approximately 600 individuals, including corrections officers, clerical staff, teachers, and nurses. Eight different unions represent 535 of these employees. The largest union at Houtzdale is the Pennsylvania State Corrections Officers Association (PSCOA), which represents about 380 corrections officers. Effective institution management provides for complaint systems where employees voice grievances and the institution responds to those grievances.

Audit Results

Finding 6 – Houtzdale established effective employee complaint systems.

Houtzdale established both informal and formal complaint processes. The institution provided employees the opportunity to voice complaints to immediate supervisors or at the monthly unit meetings. Moreover, the collective bargaining agreements for the institution's eight active unions established formal procedures for resolving employee grievances, including an initial meeting between union representatives and Houtzdale management and then, if necessary, a meeting of the Joint Area Committee and/or statewide committee. The Joint Area Committee and the statewide committee had the authority to render final and binding decisions. Ultimately, the agreements provided for formal arbitration for those issues unresolved by committee.

At July 8, 2008, the institution's eight unions represented 535 employees. Between January 1, 2007, and June 30, 2008, members of these eight unions filed 53 grievances, as illustrated in the table at the end of this section:

The review of documentation for the 53 grievances disclosed that the complaint process reasonably and timely addressed grievances in accordance with the formal procedures of the collective bargaining agreements. The initial meetings between union representatives and Houtzdale management were generally scheduled during the month immediately subsequent to the grievance filing date. These initial meetings resolved 26 of the 53 grievances.

Joint Area Committee meetings and statewide committee meetings were also regularly scheduled. The succeeding regional meetings resolved an additional 13 grievances. As of August 31, 2008, eight of the remaining grievances were sent to statewide committee, while four grievances were pending formal arbitration. Labor and management agreed to defer the initial meetings for the final two grievances, both initiated in late May 2008.

Union	Represented Employees	Number of Employees	Number of Grievances
Pennsylvania State Corrections Officers Association	Corrections Officers, Food Service Instructors	384	47
American Federation of State, County and Municipal Employees	Clerical Staff, Licensed Practical Nurses	70	3
Pennsylvania Social Services Union	Corrections Counselors	32	0
Correctional Institution Vocation Education Association	Teachers	28	0
Service Employees International Union	Registered Nurses	16	3
Federation of State Cultural and Educational Professionals	Librarians	2	0
Office of Professional Employees International Union	Registered Nurse Supervisors	2	0
Pennsylvania Association of State Mental Hospital Physicians	Dentist	<u>1</u>	<u>0</u>
	Total	<u>535</u>	<u>53</u>

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendations presented in our audit report for July 1, 2003, to February 24, 2006, along with a description of Houtzdale's disposition of each recommendation.

Prior Audit Results

Prior Finding 2 – Houtzdale did not monitor its pharmacy invoices adequately.

The prior audit reported that Houtzdale's medical personnel did not always document drug receipt or verify the accuracy of invoice credits and fees. The review of the September 2005 pharmacy invoice and associated delivery sheets disclosed that the staff responsible for checking drug receipt did not sign five of twenty daily delivery sheets. In addition, the medical department did not review credits that reduced the September 2005 invoice by \$1,395 or repackaging fees that increased the bill by \$1,000.

Moreover, Houtzdale management did not reconcile pharmacy payments made by Department personnel to the invoice amounts approved by Houtzdale's Correctional Health Care Administrator. A comparison of the original monthly pharmacy invoices to the recorded payments from August 2004 to July 2005 disclosed three differences with a cumulative total of \$6,962.

We recommended that Houtzdale develop and enforce procedures to ensure the accuracy of pharmacy invoices and associated expenditures. We also recommended that management check all credits and fees on the monthly invoices and trace recorded payments to approved invoices. Lastly, we recommended that the staff responsible for checking drug receipt sign all daily delivery sheets.

Status:

To follow up on the deficiencies noted in the prior report, the auditors reviewed the terms of Houtzdale's pharmacy contract and interviewed the institution's Business Manager, Correctional Health Care Administrator, and medical personnel responsible for the receipt of drugs. The auditors also reconciled the monthly pharmacy invoices to the corresponding expenditures ledger entries for May 2007 through April 2008. Finally, the auditors examined Houtzdale's 103 daily drug delivery sheets for May 2007, June 2007, February 2008, and March 2008.

Status of Prior Audit Findings and Recommendations

The current audit revealed that Houtzdale implemented the recommendations of the prior report. The review of pharmacy invoices and related payments for May 2007 through April 2008 did not disclose any discrepancies. Houtzdale's Correctional Health Care Administrator verified the accuracy of the invoices, while the Business Manager ensured that the payments agreed with the approved invoices. Moreover, Houtzdale's medical personnel documented the receipt of drugs. The examination of daily drug delivery sheets for four separate months disclosed that medical personnel signed and dated 94, or 91 percent, of the 103 sampled delivery documents.

Prior Finding 5 – Houtzdale did not administer its work order system effectively and work orders were not always completed in a timely manner.

The prior audit reported that Houtzdale management did not enforce the policy that required maintenance employees to document work order data. The review of 39 completed work orders disclosed that none of the 39 sampled work orders documented a priority level or the cost of labor or materials. Additionally, 27 of the 39 sampled work orders did not include approval signatures.

Houtzdale's spreadsheet summary of work orders issued between January 12, 2004, and October 31, 2005, reported that 290 work orders were open at November 15, 2005. The spreadsheet summary indicated that the 290 work orders were open an average of 121 days at November 15, 2005. A detailed review of 69 of the 290 purportedly open work orders revealed that management did not always monitor the work orders to ensure their completion. In fact, 21 of the 69 sampled work orders were completed but listed as open on the spreadsheet summary.

We recommended that Houtzdale management enforce Department policy and procedures that require maintenance employees to document job priorities, approvals, and labor and material costs. We also recommended that management consistently monitor open work orders to ensure timely completion. Finally, we recommended that maintenance management routinely update the work order computerized summary to reflect the status of all work orders accurately.

Status:

To follow up on the deficiencies noted in the prior report, the auditors interviewed Houtzdale's facility maintenance manager and reviewed the Department's policy and procedures regarding maintenance.¹⁶ The auditors also analyzed the documentation associated with 44 of 9,951 work orders completed between June 1, 2007, and May 31, 2008. Finally, the auditors examined 31 of 402 work orders identified as open on May 31, 2008.

¹⁶ Department of Corrections, Policy Number 10.2.1, "Facility Maintenance," October 10, 2005.

Status of Prior Audit Findings and Recommendations

The current audit revealed that Houtzdale complied with the recommendations of the prior report. The review of 44 completed work orders disclosed that Houtzdale documented the costs of labor and materials, the names of the employees who completed the work assignments, and the approvals required by Department policy. Houtzdale maintenance personnel timely completed the 44 sampled work orders an average of six days after request. Additionally, interviews with the facility maintenance manager and our review of 31 work orders designated as open on May 31, 2008, disclosed that since October 2007, Houtzdale maintenance management updated the computerized work order summary to reflect the status of work orders accurately in both January and July 2008.

Prior Finding 7 – Houtzdale did not segregate SAP R/3 warehouse personnel roles adequately.

The prior audit reported that Houtzdale assigned the institution's warehouse supervisor and five stock clerks the ability to create purchase orders and receive goods through its role mapping process. As a result, an individual assigned the ability to create purchase orders and receive goods in the SAP R/3 system could order goods valued under \$3,000 from a vendor for personal consumption, indicate that he/she is the shipping recipient, and document the receipt on the SAP R/3 system without additional management detection. Houtzdale did not adequately segregate the duties assigned to employees in the SAP R/3 system in order to reduce the risk of errors or fraud.

We recommended that the Department and institution management evaluate the roles assigned to Houtzdale warehouse employees in the SAP R/3 system and make any necessary changes to optimize the segregation of duties. We also recommended that Houtzdale management develop compensating controls to prevent one individual from preparing a purchase order and then receiving that order.

Status:

To follow up on the internal control deficiencies noted in the prior report, the auditors interviewed warehouse, purchasing, and business office personnel. The auditors also reviewed Commonwealth directives regarding procurement role assignments, security, and internal control maintenance,¹⁷ as well as the master roles document on the Commonwealth's Integrated Enterprise System Web site.¹⁸ The auditors examined summaries of the procurement roles assigned to the institution's warehouse supervisor and four stock clerks. Finally, the auditors observed demonstrations of the purchasing, warehouse receiving, and stock transfer processes.

The current audit revealed that Houtzdale implemented the recommendations of the prior report. Our review of Houtzdale's role assignments disclosed that the institution's

¹⁷ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 205.37, "Role Assignment, Security, and Internal Control Maintenance," June 13, 2005.

¹⁸ http://oaess.state.pa.us/MasterRolesDoc/Procurement_Roles.htm View Date: July 17, 2008.

Status of Prior Audit Findings and Recommendations

warehouse supervisor and stock clerks no longer had the ability to create purchase orders and receive goods through the SAP R/3 materials management module. The warehouse supervisor and four clerks could receive goods and transfer stock out of the warehouse inventory but could no longer purchase goods on the system. Furthermore, Houtzdale established safeguards and manager accountability to prevent errors or inappropriate transactions. According to management personnel, Houtzdale procurement procedures required the approval of all purchases (including those for goods valued under \$5,000) prior to processing. Additionally, the institution required all invoices to match approved requisitions and receiving reports prior to payment.

Audit Report Distribution List

This report was initially distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

The Honorable Jake Corman
Chair
Senate Appropriations Committee
Senate of Pennsylvania

The Honorable Jay Costa
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

The Honorable Robert M. McCord
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

State Correctional Institution at Houtzdale
Randall E. Britton
Superintendent

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