

Performance Audit

State Correctional Institution at Retreat

**Commonwealth of Pennsylvania
Department of Corrections**

July 1, 2006, to March 27, 2009



Performance Audit

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November 3, 2010

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 Retreat of the Department of Corrections from July 1, 2006, to March 27, 2009. 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 the audit objectives, scope, methodology, findings, and recommendations. The audit noted that management did not monitor the vending contract; the maintenance department kept work orders open long after the maintenance tasks were completed and did not use priority codes for maintenance projects or the maintenance management system for recording and prioritizing preventative maintenance; the business manager did not adequately monitor adjustments made to the warehouse inventory and personnel independent of the warehouse staff did not conduct an annual physical inventory or monthly spot-checks of inventory.

The audit also noted that personnel did not complete required monthly automotive activity reports and the automotive officer did not require corrected forms; personal mileage was being paid to employees without proper documentation; there was no system in place to ensure correct payment of voyager fuel card bills; and management did not monitor in-house bulk fuel purchases and control use based on outside fuel prices. Finally, the report noted that the facility did not adhere to the policy regarding the maintenance of employees' personnel information.

We discussed the contents of the report with management of the State Correctional Institution at Retreat, and all comments are reflected in the report. We appreciate the cooperation extended to us by the management and staff of the State Correctional Institution at Retreat who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Background Information

Department of Corrections

The Pennsylvania General Assembly created the Pennsylvania Bureau of Corrections under the authority of the Pennsylvania Department of Justice with the passage of Act 408 of July 29, 1953, P.L. 1428 Section I. In December 1980, responsibility moved from the Pennsylvania Department of Justice to the Office of the General Counsel to the Governor. 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 of Corrections is to protect the public by confining inmates 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 of Corrections is responsible for all adult offenders serving state sentences of two years or more. As of August 24, 2009, the Department of Corrections operated 25 correctional institutions, 1 young adult offender facility, 1 motivational boot camp, 1 training academy, and 15 community pre-release centers throughout the Commonwealth of Pennsylvania.³

State Correctional Institution at Retreat

The State Correctional Institution at Retreat, hereinafter SCI Retreat, is a fenced, medium security facility for adult male offenders, located along the Susquehanna River in Hunlock Creek, Luzerne County, approximately 15 miles south of Wilkes-Barre. Formerly, a Department of Public Welfare operated state mental hospital, the facility was transferred in 1981 to the Bureau of Corrections. After extensive remodeling and construction, SCI Retreat officially opened as a correctional institution in January 1988.

SCI Retreat encompasses 264 acres of land, of which approximately 157 acres are inside a 14-foot high perimeter fence. Four major cellblocks provide housing for inmates in the complex, accommodating a population of 458 inmates. To help alleviate overcrowding, the

¹ 71 P.S. § 310.1.

² http://www.cor.state.pa.us/portal/lib/overview_updated_july_2008.pdf, accessed August 24, 2009.

³ *Ibid.*

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Department of Corrections converted most of the single cells to double cells, increasing the prison's capacity to 806.

The following schedule presents selected unaudited SCI Retreat operating statistics compiled by the Department of Corrections for the years ended June 30, 2007, and 2008:

	Using rounding	
	2007	2008
Operating expenses⁴		
State share	\$31,778,131	\$34,369,448
Federal share	<u>53,669</u>	<u>33,579</u>
Total operating expenses	<u>\$31,831,800</u>	<u>\$34,403,027</u>
Inmate population at year-end	870	957
Inmate capacity at year-end	806	806
Percentage of capacity at year-end	107.9%	118.7%
Average monthly inmate population	872	889
Average cost per inmate per year ⁵	\$36,504	\$38,699

⁴ Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

⁵ Average cost per inmate per year was calculated by dividing total operating expenses by the average monthly inmate population.

Objectives, Scope, and Methodology

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: contract management; expense management, including maintenance work order expenditures; facility management, including accreditation; inventory management, including stores inventory and the automotive fleet; and personnel management, including the manpower survey, employee incentives, and the maintenance and access of employee personnel files. The specific audit objectives were:

- To determine if the vending services contract was monitored properly.
(Finding 1)
- To assess the controls over maintenance work order expenditures and compliance with the Department of Corrections policy and procedures.
(Finding 2)
- To determine if SCI Retreat received accreditation and responded to audit recommendations. (Finding 3)
- To determine if SCI Retreat complied with our prior audit recommendations for storeroom role mapping of personnel, storeroom annual inventory procedures and recording of inventory adjustments.
(Findings 4 and 5)
- To assess compliance with Commonwealth and Department of Corrections policy and procedures for the automotive fleet.
(Findings 6, 7, 8, and 9)

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- To assess the staffing levels at SCI Retreat to determine if levels were sufficient to meet the needs of the institution. (Finding 10)

- To determine the propriety of the use of pay incentives for employees. (Finding 11)

- To determine if SCI Retreat complied with policy by ensuring all relevant information was kept in personnel folders, while prohibited information was not included. (Finding 12)

We also determined the status of recommendations made in our prior audit for, maintenance of personnel information, and procurement personnel role mapping of duties in the SAP R/3 system.

The scope of the audit was from July 1, 2006, to March 27, 2009, unless indicated otherwise in the individual report chapters.

To accomplish our objectives, we reviewed documents regarding:

- Contract management⁶
- Expense management⁷
- Inventory management – inventory,⁸ automotive fleet⁹

⁶ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, “Fiscal Administration,” Section IV, “Procedures,” Subsection P, “Vending Machines in Department Facilities,” effective November 26, 2008.

⁷ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1, “Facility Maintenance,” Section 12, “Maintenance Work Orders,” Section 13, “Preventative Maintenance,” effective September 3, 2008.

⁸ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 1.1.2, “Accreditation & Annual Operations Inspections,” effective March 16, 2007.

Commonwealth of Pennsylvania, Department of Corrections, Policy Number: 3.1.1, “Fiscal Administration,” Section IV, “Procedures,” Subsection H, “Inventory Management,” effective November 26, 2008.

⁹ Commonwealth of Pennsylvania, Governor’s Office, Management Directive 615.1, “Temporary Assignment of Commonwealth Automotive Fleet Vehicles,” dated January 6, 2006;

Commonwealth of Pennsylvania, Governor’s Office, Management Directive 615.7, “Repairs, Maintenance, and Payment for Services,” dated October 12, 2005;

Commonwealth of Pennsylvania, Governor’s Office, Management Directive 615.8, “Use of State Automobiles,” dated March 26, 1980;

Commonwealth of Pennsylvania, Governor’s Office, Management Directive 615.9, “Permanent Assignment of Commonwealth Automotive Fleet Vehicles,” dated October 12, 2005;

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- Personnel management – incentive payments,¹⁰ information management¹¹

During the course of our audit work, we interviewed various facility management and staff, including the superintendent, the business manager, budget analyst 2, corrections activities manager 1, employee association representative, the maintenance manager, maintenance staff clerk, human resources officer and the Department of Corrections maintenance manager.

We also interviewed the superintendent's assistant, storekeeper supervisor, stock clerk, purchasing agent, automotive trades instructor, maintenance secretary/clerk typist, budget analyst, organization planning section supervisor, and registered nurse supervisor.

To determine if the vending services contract was being properly monitored, we reviewed SCI Retreat's Inmate General Welfare Fund account for posting of vending commission proceeds.

To assess the controls over maintenance work order expenditures and compliance with the Department of Corrections policy and procedures, we randomly selected and tested 59 completed work orders during the period from July 1, 2006, to December 31, 2008 and

Commonwealth of Pennsylvania, Governor's Office, Administrative Circular 05-14, Refueling of Commonwealth Automotive Fleet Vehicles, dated August 3, 2006;

Commonwealth of Pennsylvania, Governor's Office, Administrative Circular 05-15, Automotive Fleet Preventive Maintenance Schedule, dated August 5, 2006;

Commonwealth of Pennsylvania, Governor's Office, Executive Order Number 2007-03, "Commonwealth Automotive Fleet Efficiency Initiative," dated May 9, 2007;

Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," Section 8, "Vehicles," dated March 28, 2007.

¹⁰ Commonwealth of Pennsylvania, Governor's Office, Management Directive 525.16, "Physicians and Related Occupations Quality Assurance Program," dated February 14, 2006;

Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, effective July 1, 2005, to June 30, 2009.

¹¹ Agreement between Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, CTW, CLC, effective July 1, 2007, to June 30, 2011.

Agreement between Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, AFL-CIO, CLC, effective July 1, 2003, to June 30, 2007;

Commonwealth of Pennsylvania, Governor's Office, Management Directive 505.18, "Maintenance, Access, and Release of Employee Information," dated February 14, 2003.

United States of America, Department of Homeland Security, US Citizenship and Immigration Services, "Handbook for Employers – Instructions for Completing the Form I-9 (Employment Eligibility Verification Form)," www.uscis.gov, accessed January 8, 2009.

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randomly selected and tested 49 open work orders issued during the period from July 1, 2006, to November 30, 2008.

To determine if SCI Retreat received accreditation and responded to audit recommendations, we reviewed the September 11, 2006, to September 13, 2006, American Correctional Association visiting committee report and annual certification statement to the American Correctional Association, obtained SCI Retreat's follow-up plan of action waiver requests in response to the American Correctional Association reaccreditation audit conducted September 11, to September 13, 2006, and reviewed the final Commission on Accreditation for Corrections report.

To determine if SCI Retreat complied with our prior audit recommendations for storeroom role mapping of personnel, storeroom annual inventory procedures and recording of inventory adjustments, we randomly selected and test-counted 39 of 243 items listed on the SAP R/3 Inventory on Hand Report from January 2009. We also examined warehouse item history reports and purchase order histories for seven inventory commodities for the period from July 1, 2008, to December 31, 2008, to determine if the receipts and disbursements of items were recorded accurately, and if adjustments were made to the inventory in the SAP R/3 system.

To assess compliance with Commonwealth of Pennsylvania and Department of Corrections policy and procedures for the automotive fleet, we obtained and reviewed monthly automotive activity reports from July 1, 2007, to October 31, 2008, for 14 of 35 fleet vehicles. We also obtained personal vehicle usage reports for fiscal years 2006, 2007, and 2008 to determine the amount of travel reimbursement received, reviewed all 17 travel expense reports of employees receiving compensation for person mileage, obtained voyager card statements from July 2007 to October 2008, for comparisons to automotive activity reports, and obtained July 2008 to December 2008, gas pumping station receipts.

To assess the staffing levels at SCI Retreat to determine if levels were sufficient to meet the needs of the institution, we reviewed the Department of Corrections' manpower survey report for correction officers, approved December 2008, reviewed the 2007 individual staffing manpower survey report for activities staff, nurses, and correction counselors, and reviewed the 2006 individual staffing manpower survey report for maintenance, chaplaincy, psychology, food service, and dental staff. We also examined the detailed complement and wage reports dated June 30, 2008, and January 7, 2009.

To determine the propriety of the use of pay incentives for employees, we obtained and analyzed SCI Retreat's expenditure reports for fiscal years 2006, 2007, and 2008 to

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determine the amount of pay incentives incurred, and verified that appropriate criteria were followed.

To determine if SCI Retreat complied with policy regarding the maintenance of employee information, we randomly selected and examined 25 personnel files and ensured that all relevant information was kept in the employees' personnel folders, while prohibited information was not included.

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Vending Services

SCI Retreat contracts with American Food and Vending company to furnish eleven vending machines for dispensing food, snacks, and beverage items in both the lobby, and visiting room areas. In accordance with the Department of Corrections policy,¹² vending machines located in the visiting room are operated by the Inmate General Welfare Fund. Proceeds from those vending machines benefit the Inmate General Welfare Fund, which provides funding for approved expenditures, such as recreational, athletic, and audio visual equipment for inmates. The vending machines situated in SCI Retreat's lobby are operated by and profit the employees association.

Finding 1 – Management did not monitor the vending contract.

Management at SCI Retreat did not maintain a copy of the contract detailing the terms and conditions of the vending services agreement. Without a copy of the contract, management could not determine if American Food and Vending company was charging the approved prices for products or remitting an accurate amount of commission payments to SCI Retreat. Additionally, SCI Retreat employees did not accompany the vendor when the vending machines were restocked. This could cause the vendor to understate sales and, in turn, remit lower commissions. As a result, there could be a potential loss of revenue to the Inmate General Welfare Fund.

Recommendation:

1. Management should obtain a copy of the contract and implement controls to ensure vending sales and commissions are accurately recorded, collected, and deposited.

Response of SCI Retreat management:

SCI Retreat management stated that it agrees with the recommendations.

Management asserted that inquiry will be made to the current vending provider to

¹² Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," effective November 26, 2008.

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obtain a copy of the contract, as well as past revenues collected and commissions paid. Management further asserted that procedures will be developed to obtain actual counts from vending machines to ensure correct commissions are being paid.

Maintenance Work Order System

The maintenance department at SCI Retreat is responsible for providing both routine and preventive maintenance. The maintenance work order system is operated through the maintenance management system, which was implemented on November 30, 2005. This system, in accordance with Department of Corrections Policy,¹³ enables each department head to submit work orders to the maintenance department electronically. Once received, the maintenance department is able to review, evaluate, approve, prioritize, and assign the task to the responsible department or shop.

All work orders were processed using the maintenance work order system and contained start date, labor hours, cost of labor hours, and the cost of materials utilized for each work order reviewed. However, maintenance management failed to review open work orders on a timely basis, set priority levels on work orders, and follow Department of Corrections policy for preventative maintenance.

Finding 2 – Maintenance work orders remained open long after the maintenance tasks were completed and the maintenance department did not use priority codes for maintenance projects or the maintenance management system for recording and prioritizing preventative maintenance requirements.

Open Work Orders. The Department of Corrections has developed policies for the disposition of open work orders. The policy states the following:

Completed work orders are to be signed, dated by the maintenance personnel completing the work, and returned to his/her immediate supervisor who is

¹³ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1, “Facility Maintenance,” Section 12, “Maintenance Work Orders,” Section 13, “Preventative Maintenance,” effective September 3, 2008.

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*then responsible for inspecting the completed work and forwarding the work order to the Facility Maintenance Manager's office.*¹⁴

Our audit found 863 work orders, dated as far back as July 5, 2006, still listed as open in the maintenance work order system. Additional testing of the open work orders determined that all of these work orders were completed but not closed out to either the maintenance work order system or the preventative maintenance work order system as required by Department of Corrections policy.

Management attributed this problem to completed work orders not being returned to the maintenance manager. Conversely, management was not reviewing open work orders to determine why work orders were open since July of 2006.

Maintenance Priority Codes. The Department of Corrections has established a system for assigning priority codes to maintenance work orders. The following maintenance priority codes are available:

- Emergency – Security repairs.
- Immediate – Health and Safety repairs.
- Urgent – repairs that need to be addressed the next scheduled workday.
- Routine – general repairs and preventive maintenance.¹⁵

Department of Corrections policy states as follows:

*Work orders for repairs shall be initiated by each respective department staff, signed by the department head (no signature is required for an electronic work order request) and forwarded to the Maintenance Department for review, evaluation, disposition, approval, assignment of a priority code, and scheduling of work.*¹⁶

Our audit also found that SCI Retreat management only assigned a priority code to one work order out of 5,900 work orders, between July 1, 2006, and June 30, 2008. The remaining 5,899 work orders were assigned the priority code of 5, which is the default code if a priority

¹⁴ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1, "Facility Maintenance," Section 12, "Maintenance Work Orders," effective September 3, 2008.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

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code is not entered into the system. Failure to assign the correct priority code may cause a delay in completing work that may have security or health and safety ramifications.

Preventative Maintenance System. Our audit also found that management does not utilize the Maintenance Management System for preventative maintenance in accordance with the Department of Corrections policy, which states as follows:

*A written preventive maintenance plan is to be developed for all assets that require routine maintenance and all assets are to be included on the computerized maintenance work order system and scheduled with other work order assignment.*¹⁷

The maintenance department handles preventative maintenance through an in-house computerized system, which lists each piece of equipment and the type of service required. Maintenance management prints out work orders monthly for each piece of equipment requiring preventative maintenance service and distributes them to the appropriate shop. Although this system is adequate for assigning the work to be completed, it cannot track the number of preventative work orders processed, the status of the equipment serviced, the amount of labor hours used, or the cost of material used.

Recommendations:

2. Management should immediately begin reviewing all open work orders for explanations on why work orders are not being closed out in a timely manner.
3. Management should start assigning work orders a priority code, which reflects the severity of the repair.
4. Management should also begin entering all assets into the maintenance management system, and process all preventative maintenance work orders through the required maintenance management system.

Response of SCI Retreat management:

SCI Retreat management stated that work orders that remain open long after they are submitted are due to the fact that staff submits the same work order over and over or other staff submits a work order for the same job. Even though the system asks if this is a duplicate, the work order system can be overridden and the work

¹⁷ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1, "Facility Maintenance," Section 13, "Preventative Maintenance," effective September 3, 2008.

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order is re-submitted. The re-submittal does not mean that the maintenance work is not being completed by the tradesmen. Management also stated that efforts would be made to remove duplicate work orders from the system. Finally, management stated that efforts would also be made to enter all preventive maintenance work orders.

Accreditation

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

Although the accreditation process is voluntary, the Department of Corrections policy statement for accreditation program and annual inspections has established rules, regulations, and procedures for pursuing compliance with nationally recognized standards for the operation and management of correctional facilities via an accreditation program.

The Commonwealth contracts with the Commission on Accreditation for Corrections and is assigned an appointed American Correctional Association committee that conducts a standards compliance audit and prepares a written visiting committee report to be submitted to the Commission on Accreditation for Corrections. The visiting committee report also includes comments from interviews conducted with inmates and staff, as well as a detailed explanation of all non-compliant and inapplicable standards.

To receive accredited status the institution must be 100 percent compliant on mandatory standards and a minimum of 90 percent compliant on non-mandatory standards.¹⁸ Once these benchmarks are attained, the institution is awarded a three-year accreditation.

¹⁸ www.aca.org, accessed November 2, 2009.

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Finding 3 – SCI Retreat management responded appropriately to the issues noted in the most recent standards compliance audit.

On February 14, 2007, the Commission on Accreditation for Corrections awarded a three-year accreditation to SCI Retreat as a result of the compliance audit conducted by American Correctional Association from September 11, 2007, to September 13, 2007. According to the visiting committee report, SCI Retreat complied with 100 percent of the 60 applicable mandatory standards and 437 or 99.7 percent, of the 438 applicable non-mandatory standards. The one non-mandatory standard that the Commission on Accreditation for Corrections cited SCI Retreat states the following:

Standard #4-4255: There is a sanctioning schedule for institutional rule violations. Continuous confinement for more than 30 days requires the review and approval of the warden/superintendent. Inmates held in disciplinary detention for periods exceeding 60 days are provided the same program services and privileges as inmates in administrative segregation and protective custody.

SCI Retreat submitted a written response to the Commission on Accreditation for Corrections in an effort to be 100 percent compliant in the non-mandatory standards. The Commission on Accreditation for Corrections responded to SCI Retreat granting discretionary compliance.

Warehouse Inventory

SCI Retreat maintains an inventory of items including food, clothing, and housekeeping and office supplies, necessary for day-to-day operations of the facility. The facility's management and staff are responsible for safeguarding, controlling, and effectively managing the inventory by utilizing Integrated Enterprise System software, known as SAP R/3.

The prior audit conducted by the Department of the Auditor General found that annual inventories and annual physical inventory counts were not being completed. Our audit recommended that physical inventories be taken annually in accordance with the

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Department of Corrections policy.¹⁹ The audit also recommended that the business manager or his representative be present for the annual inventory and for the spot checks of warehouse inventory. Finally, the audit recommended that the business manager approve all adjustments to warehouse inventory.

The Department of Corrections in response to our audit issued a response dated May 30, 2007, stating the following:

The business manager will set up a procedure to investigate and approve any inventory adjustments. Management will set up a procedure between the business office staff located at SCI Dallas and SCI Retreat onsite staff to perform independent random inventory spot checks of the warehouse. A procedure for conducting an annual physical inventory of the warehouse will be established. This will involve utilizing additional personnel to help conduct the physical inventory of the warehouse, and the closure of the warehouse while the count is being taken.

Finding 4 – The business manager did not monitor warehouse inventory adjustments adequately.

Our prior audit of SCI Retreat noted that in addition to receiving all goods, the storekeeper supervisor also adjusted inventory without investigation and approval by the business manager. Our current audit revealed that the storekeeper supervisor continued to adjust inventory without the business manager’s knowledge because role-mapping authorizations in the SAP R/3 system allowed the storekeeper supervisor to adjust records.

Our current audit identified 71 inventory adjustments, of which the business manager was unaware, resulting in an overstatement of inventory and a subsequent increase of total net cost of \$18,628 between September 16, 2008, and February 19, 2009. The following chart depicts some examples of the inventory adjustments made by the storekeeper supervisor.

¹⁹ Commonwealth of Pennsylvania, Department of Corrections, Policy Number: 3.1.1, “Fiscal Administration,” Section IV, “Procedures,” Subsection H, “Inventory Management,” effective November 26, 2008.

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Inventory Item	Adjustment Increase (Decrease)	Cost Increase (Decrease)
Sugar Substitute	(172 Cases)	\$ (1,862.76)
Elbow Macaroni	34 Cases	443.93
Graham Crackers	(15 Cases)	(311.82)
Kidney Beans	(39 Cases)	(628.70)
Materials & Supplies	Doc # 4901548532	\$23,750.00

Recommendations:

5. To reduce the risk of theft, fraud, and/or misuse of Commonwealth funds, the storekeeper supervisor should receive documented approval from the business manager before adjusting inventory.
6. The business manager should investigate the reason or cause of the inventory variance and take appropriate action before granting documented approval.

Response of SCI Retreat management:

SCI Retreat management stated that it agrees with the recommendations. Management further stated that the business manager, or designee, will approve all physical inventory adjustments prior to posting in the SAP/R3 system.

Finding 5 – Personnel independent of the warehouse did not conduct an annual physical inventory or monthly spot-checks of inventory.

Our audit revealed that management was still not conducting an annual physical inventory. As a result, SCI Retreat still did not comply with Department of Corrections fiscal administration policy that states as follows:

*Physical inventories shall be conducted monthly for commissaries and at least annually for warehouses.*²⁰

Additionally, our inquiries also revealed that management still did not complete monthly inventory spot-checks, as recommended in our prior audit report.

²⁰ Commonwealth of Pennsylvania, Department of Corrections, Policy Number: 3.1.1, “Fiscal Administration,” Section IV, “Procedures,” Subsection H, “Inventory Management,” effective November 26, 2008.

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During February 2009, we conducted an inventory spot-check. Along with the business manager, we randomly sampled 20 percent or 39 warehouse inventory items. Our sample of warehouse inventory found variances in 17 of the 39 sampled items. The following tables summarize the variances found during our inventory spot-check.

Overstated Items

Item	Unit	Cost per unit	Inventory amount	Actual count	Variance	Underage
Pad Scouring	Case	\$ 22.43	119	118	1	\$ 22.43
Floor Brush	Each	4.91	20	17	3	14.72
Toilet Brush	Each	364.14	68	56	12	64.26
Graham Crackers	Case	20.05	115	108	7	140.37
Toilet Paper	Case	35.82	122	111	11	394.02
Tomato Sauce	Case	14.20	<u>106</u>	<u>100</u>	<u>6</u>	<u>85.18</u>
Totals			550	510	40	\$720.98

Understated Items

Item	Unit	Cost per unit	Inventory amount	Actual count	Variance	Overage
Fiberglass Mop	Each	\$15.12	6	42	36	\$ 544.32
Paper Napkins	Case	49.25	21	22	1	49.25
Coffee	Case	33.94	40	50	10	339.38
Juice Cup	Case	33.85	8	16	8	270.78
Street Broom	Each	89.91	184	209	25	2,247.75
Shoe Covers	Pairs	3.18	168	171	3	9.54
Mustard	Case	3.91	50	51	1	3.91
Calcium Chloride	Bag	10.19	82	99	17	173.24
Wax Paper	Case	30.93	6	11	5	154.65
Paper Towels	Case	57.91	12	15	3	173.73
Bev Punch Dry	Case	43.32	<u>25</u>	<u>28</u>	<u>3</u>	<u>129.96</u>
Totals			602	714	112	\$4,096.51

Our spot-check of 20 percent of SCI Retreat's inventory found the inventory cost to be understated by \$3,375.53 (\$720.98 - \$4,096.51).

The storekeeper supervisor performed semiannual inventories and weekly spot-checks on a few items, and the system maintained a perpetual inventory of all items. However, without the actual count of every item by an independent person at least once each year inventory records could become inaccurate and the possibility of theft, fraud, and/or the misuse of Commonwealth property is increased.

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Recommendations:

7. Business office staff should complete spot-checks on a monthly basis and thoroughly participate in an annual inventory, in order to provide independent verification of inventory levels and proper monitoring of warehouse operations.
8. In addition, the business manager should investigate and approve all adjustments made to inventory.

Response of SCI Retreat management:

SCI Retreat management stated that it agrees with the recommendations. Management stated that business office staff would spot-check inventory monthly and assist in the annual inventory process. In addition, the business manager, or designee, will approve all physical inventory adjustments prior to posting in the SAP/R3 system.

Automotive Fleet

The Department of Corrections has established a policy and procedures regarding vehicle use, maintenance, and reporting.²¹ In addition, the Governor signed an executive order establishing the commonwealth automotive fleet efficiency initiative. The initiative states as follows:

*Agencies will monitor, at regular intervals, vehicle assignments and utilization patterns, fuel card activity and reimbursements made to employees for miles traveled in personal vehicles to ensure that Commonwealth resources are being deployed in the most cost-effective manner.*²²

The goal of the initiative is to establish policies and practices that will enable agencies to complete their assigned duties at the lowest reasonable cost.

²¹ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," Section 8, "Vehicles," dated March 28, 2007.

²² Commonwealth of Pennsylvania, Governor's Office, Executive Order Number 2007-03, "Commonwealth Automotive Fleet Efficiency Initiative," dated May 9, 2007.

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SCI Retreat's automotive fleet consists of 35 vehicles including passenger cars, maintenance trucks, perimeter security vehicles, and group transport buses. These vehicles are used to conduct institutional business and ensure the facility's security.

Finding 6 – Personnel did not complete required monthly automotive activity reports and the automotive officer did not require corrected forms.

Our audit of the daily/monthly automotive reports found numerous instances of missing/unrecorded data. According to the Department of Corrections policy,

A monthly automotive activity report shall be maintained for each vehicle. Information maintained on this form includes daily driver, 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.²³

During our interview with SCI Retreat's facility maintenance manager and automotive trades' instructor, we were told that many times employees using fleet vehicles did not fill out the reports correctly. We determined that no one at SCI Retreat took responsibility for obtaining corrected automotive reports.

The lack of accurate fleet vehicle usage reports make it difficult to monitor usage, and hinders such determinations as the trip destination, reasonable mileage and gasoline usage for that trip, whether the trip was for business or personal purpose and other measurements. The lack of accurate reports also precluded us from further evaluating the situation.

Recommendations:

9. SCI Retreat management should require monthly automotive activity reports to be complete and accurate.
10. The SCI Retreat training officer should establish a refresher course for all employees on the importance of completing automotive activity reports properly.

Response of SCI Retreat management:

SCI Retreat management stated that automotive activity reports will be issued to employees in a packet from the control center when receiving vehicle keys. All

²³ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," Section 8, "Vehicles," dated March 28, 2007.

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information will be required to be completed before keys and documents are returned. Automotive reports will be collected from the control center by the automotive officer at the beginning of each workday.

Finding 7 – Personal mileage was paid to employees without proper documentation.

We audited all travel expense reports of employees receiving compensation for personal mileage during the period from July 1, 2006, through June 30, 2008. In all, there were 17 requests for personal mileage. The Department of Corrections policy states as follows:

A vehicle request form must be completed to reserve a state car or to be reimbursed for personal mileage when a state car is not available. The employee must receive approval from his/her Bureau/Office Director to incur personal mileage cost.²⁴

Of the 17 requests for personal mileage, only 7 had submitted vehicle request forms. SCI Retreat paid personal mileage for ten travel expense reports even though no vehicle request forms were completed. Without completion of the required vehicle request form, it is not possible to determine if approval was received or mileage was warranted.

Recommendations:

11. Vehicle request forms should be completed for all instances of employee travel by either state car or personal car if mileage is to be reimbursed.
12. In addition, the superintendent or his designee should approve all claimed personal mileage.

Response of SCI Retreat management:

SCI Retreat management stated that it agrees with the recommendations. The institution would be utilizing the required forms and requests for mileage would only be approved when a state vehicle is not available and proper authorization is obtained.

²⁴ Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," Section 8, "Vehicles," dated March 28, 2007.

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Finding 8 – SCI Retreat did not have a system in place to ensure correct payment of Voyager fuel card bills.

Our audit discovered that invoices received for Voyager fuel purchases were paid without verification of the actual charges. During the 16-month period from July 1, 2007, to October 31, 2008, SCI Retreat paid for 140 Voyager card transactions totaling \$3,774. We attempted to reconcile the itemized fuel bill to the automotive fleet vehicle that the fuel was charged to, but found that fuel purchase receipts were not recorded or attached to the automotive activity reports. Without the ability to verify the legitimacy of the charges, we could not substantiate that the payments were correct.

In order to monitor the monthly Voyager fuel card bills, business office personnel should receive approved automotive reports with fuel card receipts attached so the receipts can be traced to the Voyager monthly transactions.

Since Voyager card receipts were not always kept as required, and Voyager card receipts were not posted to automotive reports, SCI Retreat had no mechanisms in place to ensure the invoices were correct. In addition, SCI Retreat could not detect if the fuel was even used in fleet vehicles.

Recommendation:

13. Voyager card receipts should be attached and posted to monthly activity automotive reports. After approving these reports with attached Voyager card receipts, the reports should be forwarded to the business office for verification of expenditures before paying Voyager card bills.

Response of SCI Retreat management:

SCI Retreat management stated that the packet currently issued to employees at the time of key issue is to be returned with the automotive activity report and attached gas receipts. Management further stated that receipts attached are those for use of the Voyager card and also receipts issued by the institution from on-site fuel service. In addition, the automotive officer will forward all receipts to the business office for verification of expenditures before paying Voyager card bills.

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Finding 9 – Management must monitor in-house bulk fuel purchases and control use based on outside fuel prices.

SCI Retreat's 35-vehicle fleet obtains fuel from both their in-house fuel pumping station, as well as outside gasoline service stations, using the Voyager fuel card. SCI Retreat's fuel pumping station has two 1,000-gallon storage tanks. One tank is for regular gasoline, while the other is for diesel fuel. During an interview with the automotive trade instructor, we were told that the instructor monitors the tank levels several times a week and when the tanks reach 50 percent of capacity, or 500 gallons, the instructor calls the contracted supplier to refill the fuel tanks.

As part of our audit testing, we reviewed 140 Voyager card transactions dated between July 1, 2007, and October 31, 2008, and found that 64, or 46 percent, of all voyager transactions, were made within a 20-mile radius of SCI Retreat. Historically, the Department of Corrections recommended that all state vehicles should be re-fueled at state institutions whenever possible, to take advantage of lower fuel costs. However, after comparison of fuel costs between the outside service stations and the in-house fuel tanks for 14 purchases during July 1, 2008, to October, 31, 2008, we determined that because of the volatile cost of gasoline during the three-month period, it was more economical for SCI Retreat employees to purchase fuel at an outside service station rather than obtain fuel from their in-house fuel station. On average, SCI Retreat was saving approximately \$0.163 per gallon by purchasing fuel offsite during our three-month testing period.

We compared the price per gallon (gasoline only) SCI Retreat was paying the contracted supplier with the offsite price per gallon during the same time period. SCI Retreat could have saved \$21.39 for the 14 purchases selected for testing. The comparison is summarized on the next page.

SCI Retreat was purchasing anywhere from 500 to 1,000 gallons of gasoline at prices that would become fixed until the need to refill the fuel tanks, usually every three to four weeks. At the same time, outside service stations were changing their fuel prices every two to three days, thus receiving the advantage of the volatility of the daily oil market price fluctuations. During the three-month period of our test, SCI Retreat pumped 2,862 gallons of gasoline from its in-house storage tank. At an average savings of \$0.163 per gallon, SCI retreat could have saved \$466.51 by not using the pumping station. Our combined analysis, which includes the \$21.39 from the 14 test transactions and the \$466.51 from not using the pumping station, would have saved \$487.90 if the gas purchases were made entirely at outside service stations during the test period.

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Test transaction	Outside service station				In-house pumping station		
	Purchase date	Number of gallons	Price per gallon	Total Purchase	Price per gallon	Projected Purchase	Projected savings
1	07/22/2008	10.49	\$3.47	\$ 36.39	\$3.64	38.17	\$ 1.78
2	07/22/2008	7.50	\$3.51	\$ 26.32	\$3.64	27.29	\$ 0.97
3	08/05/2008	8.92	\$3.29	\$ 29.34	\$3.64	32.46	\$ 3.12
4	08/07/2008	13.37	\$3.27	\$ 43.71	\$3.64	48.65	\$ 4.94
5	08/10/2008	4.66	\$3.23	\$ 15.05	\$3.33	15.51	\$ 0.46
6	08/12/2008	6.84	\$3.17	\$ 21.68	\$3.33	22.77	\$ 1.09
7	09/17/2008	16.76	\$3.11	\$ 52.11	\$3.19	53.45	\$ 1.34
8	09/11/2008	8.57	\$3.01	\$ 25.79	\$3.19	27.33	\$ 1.54
9	09/12/2008	7.30	\$3.01	\$ 21.97	\$3.19	23.28	\$ 1.31
10	09/25/2008	11.09	\$3.17	\$ 35.14	\$3.19	35.37	\$ 0.23
11	10/02/2008	9.69	\$2.97	\$ 28.77	\$3.19	30.90	\$ 2.13
12	10/14/2008	8.11	\$2.59	\$ 21.00	\$2.52	20.43	(\$ 0.57)
13	10/20/2008	7.74	\$2.35	\$ 18.18	\$2.52	19.50	\$ 1.32
14	10/21/2008	<u>10.17</u>	\$2.35	<u>\$ 23.89</u>	\$2.52	<u>25.62</u>	<u>\$ 1.73</u>
Totals		131.21		\$399.34		\$420.73	\$21.39

The estimated savings are conservative, because the above analysis includes the gasoline pumped at the in-house pumping station for the three-month period, and only a small sample of the gasoline purchased at outside gasoline stations for the three-month period of the test. Even with the conservative estimate of \$487.90, the projected yearly savings could be almost \$1,952 (\$487.90 x 4).

Recommendation:

14. The SCI Retreat automotive trade instructor should continue to monitor gasoline consumption, and in addition, should monitor daily fuel prices and refill the in-house gasoline tank more or less frequently based on the purchase price per gallon rather than by level of gasoline in the tanks. With constant monitoring of both gasoline levels and gasoline price, management will be able to determine if it would be more economical to fill state vehicles at the in-house pumping station or at outside service stations.

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Response of SCI Retreat management:

SCI Retreat management stated that they would continue to follow Department of Corrections' Policy Number 3.1.1, "Fiscal Administration," Section 8, "Use and Maintenance of State Vehicles," Subsection F, "General Operational Procedures," which states as follows:

"To the extent practical, gasoline, oil, lubrication, accessories, parts, and repairs shall be procured from a state correctional facility automotive shop. Purchase of supplies and parts shall be handled by and through the facility business office with charges made to the proper account."

Response of the Auditor General:

We agree with management that to the extent practical, employees should purchase gasoline from the state correctional facility automotive shop. However, this could also include consideration of fuel cost savings. Closing the onsite pump at times when fuel costs are lower at outside pumps is a reasonable, practical and cost efficient way to operate the onsite automotive shop.

Staffing Levels

The Department of Corrections periodically conducts manpower surveys in order to assess each institution's staffing requirements. In December 2008, the Department of Corrections conducted its correctional officer only manpower survey at SCI Retreat. The manpower survey for fiscal years 2006, and 2007, analyzed staffing level requirements for support areas including activities, maintenance, food service, chaplaincy, psychology, dental, and nursing.

Finding 10 – SCI Retreat had sufficient staff levels.

The audit of staffing levels found that SCI Retreat is maintaining sufficient staffing levels for corrections officers and other support areas. The levels were at 99.35 percent of the Department of Corrections' manpower survey as reflected in the following table.

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Department	Proposed	Current	Difference
Corrections Officers	230	229	(1)
Nursing *	14	14	0
Maintenance *	29	27	(2)
Corrections Counselors ^	8	8	0
Corrections Activities ^	4	4	0
Dental *	2	2	0
Chaplaincy *	1	1	0
Food Service *	16	17	1
Psychology *	4	4	0
Total	308	306	(2)
Percentage	100%	99.35%	.65%

* The proposed data is from the 2007 Department of Corrections manpower survey.

^ The proposed data is from the 2006 Department of Corrections manpower survey.

At the completion of our audit, SCI Retreat advertised for one corrections officer and two maintenance employees in local trade magazines and local newspapers. The food service area exceeds the number of recommended employees due to the merging of SCI Retreat and SCI Dallas common support areas.

Employee Pay Incentives

The Department of Corrections provides inmates with quality health care consistent with community standards through a cooperative effort between Commonwealth employees and contract vendor staff. In order to attract and retain medical and dental professionals, the Commonwealth established pay incentives in the physicians and related occupations quality assurance program.²⁵ This program entitles employees to an incentive payment based on the number of full-credited years of service through the last day of the employee's last full pay period. Payments are prorated for part-time employees and employees not in an active pay status for the full entitlement year. A part-time employee must work at least 50 percent of a full-time schedule to be eligible for a payment.

²⁵ Commonwealth of Pennsylvania, Governor's Office, Management Directive 525.16, "Physicians and Related Occupations Quality Assurance Program," dated February 14, 2006; Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, effective July 1, 2005, to June 30, 2009.

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Also, permanent nursing employees who are members of the Service Employees International Union and have attained one or more certifications in an appropriate specialization receive a certification payment of \$200 each contract year.²⁶

Finding 11 – Pay incentives were made according to applicable criteria.

Analysis of expenditure reports revealed that SCI Retreat paid \$10,000 in incentive payments for the fiscal year ended June 30, 2006; \$11,000 for the fiscal year ended June 30, 2007, and \$12,000 for the fiscal year ended June 30, 2008. Our analysis of the reports ascertained that the incentive payments were timely and appropriate.

Employee Information

The Commonwealth of Pennsylvania has established a policy for the maintenance, access, and release of personal information of Commonwealth employees.²⁷ The purpose of this policy is to create a uniform system of accountability to preserve and protect the privacy of all current and past employees. The policy details the types of permanent information that must be included in the employees' official personnel folders, as well as the information strictly prohibited from being placed in official personnel folders.

Finding 12 – SCI Retreat did not adhere to the policy regarding the maintenance of personnel information.

Our audit of 25 randomly selected SCI Retreat personnel files found that some required information was not kept present in 11 of the 25 selected personnel files. The chart on the following page shows the types of missing documents.

As a result of the missing I-9 form, SCI Retreat could incur penalties equaling not less than \$110 and not more than \$1,100 for each employee hired after November 6, 1986, with the

²⁶ Agreement between Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, CTW, CLC, effective July 1, 2007, to June 30, 2011;

Agreement between Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, AFL-CIO, CLC, effective July 1, 2003, to June 30, 2007.

²⁷ Commonwealth of Pennsylvania, Governor's Office, Management Directive 505.18, "Maintenance, Access, and Release of Employee Information," dated February 14, 2003.

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United States Department of Homeland Security for failing to complete and retain the I-9 forms in the employee’s official personnel file.²⁸

Employee	<i>Necessary Official Personnel Folder Information</i>			
	Earned Income Wage Tax Questionnaire	Union Dues Deduction Status Forms	Form I-9	W-4 Certification
Employee 7			X	
Employee 8			X	
Employee 10			X	
Employee 12			X	X
Employee 17	X		X	
Employee 18	X		X	
Employee 19		X		
Employee 20			X	
Employee 22		X		
Employee 24	X		X	X
Employee 26			X	
Total Missing	3	2	9	2
Percentage	12%	8%	36%	8%

"X" Denotes missing documents

In addition to the missing documentation, 3 of the 25 files, or 12 percent, contained documents or information strictly prohibited from personnel files. Specifically, we discovered copies of birth certificates in two files and a copy of a driver’s license and medical information in the third file.

In order to avoid penalties from the Department of Homeland Security, and to protect the rights of current as well as past employees of SCI Retreat, it is imperative that all necessary documentation be kept in the personnel files and all prohibited information be kept out of the personnel files.

²⁸ United States of America, Department of Homeland Security, US Citizenship and Immigration Services, “Handbook for Employers – Instructions for Completing the Form I-9 (Employment Eligibility Verification Form),” www.uscis.gov, accessed January 8, 2009.

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Recommendation:

15. The human resources officer must ensure that employee personal files, through periodic reviews, contain all necessary documents. In addition, when prohibited documents are found in employee personal files, they should be removed and destroyed or maintained in a separate file.

Response of SCI Retreat management:

Management stated that the following action already taken. The human resource department reviewed all official personnel files (OPF) for prohibited documents against a personnel folder screening checklist. Prohibited documents found were removed.

SCI Retreat management also stated that the following actions are in progress. All files would be reviewed by the human resource staff against the personnel folder screening checklist to determine what is missing. A memo from the Deputy Secretary for Human Resources and Management, which became effective May 1, 2010, states that the earned income wage tax questionnaire, union dues deduction status form, and W-4 certification, are to be retained electronically by the human resource shared service center instead of keeping a hard copy in the personnel files. Management also stated that the HR Office and their supervisor would contact all employees with personnel files identified as having missing I-9 forms to produce the necessary documents for verification and to complete a new I-9 form as soon as possible.

This comment also applies to Prior Finding #8.

Status of Prior Audit Findings and Recommendations

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendation presented in our audit report for the period July 1, 2004, to July 28, 2006, along with a description of SCI Retreat's disposition of the recommendations.

Prior Finding 4 – Inadequate SAP R/3 role mapping for the procurement personnel resulted in a lack of internal control. (Resolved)

Our previous audit disclosed that SCI Retreat did not adequately segregate the duties assigned to employees utilizing the SAP R/3 procurement system, thereby increasing the risk of errors or fraud. The role mapping assignment provided the purchasing agent with the ability to create a requisition, produce a purchase order, and receive merchandise and supplies.

We recommended that SCI Retreat should reassign the procurement and receiving roles to ensure an adequate segregation of duties.

Status:

Our current audit revealed that SCI Retreat complied with the recommendation regarding the reassignment of the procurement and receiving roles. A documentation of the procurement agents SAP R/3 role as of December 12, 2008, revealed that the only functions assigned were SAP R/3 Purchasing and SAP R/3 Requisitioning. As a result of this action, this finding has been resolved.

Prior Finding 6 – Controls need to be improved over the warehouse function. (Unresolved).

Our previous audit disclosed that SCI Retreat did not adequately segregate the duties assigned to employees utilizing the SAP R/3 inventory module. The audit identified that in addition to receiving all goods, the storekeeper supervisor also adjusted inventory without investigation and approval by the business manager.

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Status of Prior Audit Findings and Recommendations

Status:

Our current audit revealed that the storekeeper supervisor continued to adjust inventory without the business manager's knowledge because the system allowed such actions. Therefore, we concluded that this finding is still unresolved. The current audit work and recommendations can be found at Finding 4 of the current audit report.

Prior Finding 7 – SCI Retreat did not conduct an annual inventory of warehouse items. (Unresolved)

The prior audit also noted that SCI Retreat management did not conduct an annual inventory in accordance with Department of Corrections policy.

We recommended that the business manager should be responsible to investigate and approve any adjustments to warehouse inventory. Additionally, the business office should perform monthly inventory spot-checks and assist the warehouse staff with its conduct of an annual inventory. The inventory count must include all items held in the warehouse in order to ensure correct recording of inventory balances in the SAP R/3 system.

SCI Retreat management agreed with our finding and stated that they would investigate and approve inventory adjustments. In addition, management would perform inventory spot-checks as well as a full count of all inventory.

Status:

Our current audit of SCI Retreat revealed that SCI Retreat management did not conduct an annual inventory of warehouse items and did not perform spot-checks. Additionally, the business manager was not aware of all of the adjustments made to the inventory. As a result, we concluded that this finding is still unresolved. The results of the current audit can be found in Finding 5 of our current audit report.

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Status of Prior Audit Findings and Recommendations

Prior Finding 8 – SCI Retreat did not follow proper policy and procedures regarding maintenance, access, and release of personnel information for the employees of the institution. (Unresolved)

Our prior audit disclosed that SCI Retreat’s human resources department did not follow the guidelines of the management directive regarding maintenance, access, and release of the employees’ personal information.

We recommended that the human resources officer ensure that all necessary documents are filed in every employee’s personnel file as according to the directive and purge prohibited information from all personnel files.

SCI Retreat management agreed with our finding and stated that they would comply with our recommendation. In addition, management stated that a screening checklist was established to ensure compliance with the directive for new employees.

Status:

Our current audit of SCI Retreat revealed that a number of employee files did not contain necessary file information. Additionally, 3 of the 25 files contained documents prohibited by the management directive. This issue is discussed in Finding 12 of our current audit report.

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