



**Performance Audit**

***State Correctional Institution at Waymart***

**Commonwealth of Pennsylvania  
Department of Corrections**

**December 2011**

December 28, 2011

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of the State Correctional Institution at Waymart of the Department of Corrections from July 1, 2006, to November 20, 2009. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

Our report details the audit objectives, scope, methodology, findings, and recommendations. The report contains findings on the State Correctional Institution at Waymart's controls over gasoline credit cards, personal mileage reimbursement, and its warehouse inventory. We also found that Waymart did not prioritize its work orders, and lacked a preventive maintenance plan. Finally, we found deficiencies continued with Waymart's monitoring of its vending machines and training of its fire emergency response team members.

We discussed the contents of the report with management of the State Correctional Institution at Waymart, and all comments are reflected in the report.

Sincerely,

**JACK WAGNER**  
Auditor General

State Correctional Institution at Waymart  
Department of Corrections

Table of  
Contents

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

---

**Table of  
Contents**

**Background Information** ..... 1

**Audit Objectives**..... 4

**Audit Results**..... 6

**Finding 1** – SCI Waymart appropriately responded to the issues noted in the most recent standards compliance audit. .... 8

**Finding 2** – SCI Waymart made bonus payments in accordance with the applicable management directives or contractual agreements. .... 11

**Finding 3** – SCI Waymart properly bid, awarded, and monitored service purchase contracts. .... 13

**Finding 4** – SCI Waymart complied with Department of Corrections policies and procedures and established effective internal controls over the IGWF. .... 15

**Finding 5** – SCI Waymart failed to ensure that employees complied with policies governing the state-issued gasoline credit cards and monthly automotive activity reports.. .... 19

**Finding 6** – SCI Waymart paid personal mileage to employees without proper documentation. .... 21

**Finding 7** – SCI Waymart’s maintenance department did not properly assign priority codes to their work orders and did not update their computerized work order system upon completion of the work orders..... 24

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Background  
Information**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Table of  
Contents,**  
*continued*

**Finding 8** – SCI Waymart did not have a written preventive maintenance plan ..... **26**

**Finding 9** – SCI Waymart hired employees in compliance with veterans’ preference guidelines. .... **28**

**Finding 10** – SCI Waymart’s management controls over warehouse inventory were not adequate ..... **30**

**Status of Prior Audits** ..... **32**

**Audit Report Distribution List** ..... **37**

State Correctional Institution at Waymart  
Department of Corrections

Background  
Information

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Background  
Information**

This section contains information about the Department of Corrections and the State Correctional Institution at Waymart.

**Department of Corrections**

*History, mission,  
and operating  
statistics*

The Pennsylvania General Assembly created the Pennsylvania Bureau of Corrections under the authority of the Pennsylvania Department of Justice with the passage of the Act of July 29, 1953, (P.L. 1428, Section I, No. 408).<sup>1</sup> In December 1980, responsibility moved from the Pennsylvania Department of Justice to the Office of the General Counsel under the Governor. The Governor signed the Act of December 30, 1984, (P.L. 1299, Act 245)<sup>2</sup> in 1984, elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.

The mission of the Department of Corrections is as follows:

*Our mission is to protect the public by confining persons committed to our custody in safe, secure facilities, and to provide opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens; while respecting the rights of crime victims.*<sup>3</sup>

The Department of Corrections is responsible for all adult offenders serving sentences of two years or more. As of February 1, 2011, it operated 26 correctional institutions, 1 motivational boot camp, 1 training academy, and 14 community pre-release centers throughout the Commonwealth of Pennsylvania. In addition to the 14 community pre-release centers, the Department of Corrections also had oversight for 39 contracted facilities, all part of the community corrections program.<sup>4</sup>

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<sup>1</sup> 71 P.S. §§ 301-306.

<sup>2</sup> 71 P.S. §§ 310.1-310.14.

<sup>3</sup> [http://www.cor.state.pa.us/portal/server.pt/community/departement\\_of\\_corrections/4604/our\\_mission/716263](http://www.cor.state.pa.us/portal/server.pt/community/departement_of_corrections/4604/our_mission/716263)

Accessed January 16, 2011, verified November 18, 2011.

<sup>4</sup> Ibid.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Background  
Information**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Inmate General Welfare Fund**

The Department of Corrections centrally controls an Inmate General Welfare Fund to provide custodial services for inmate personal monies and to generate funds for recreational activities. Each correctional institution within the Department of Corrections maintains accounting records for its own portion of the fund. The prisons' funds are consolidated for control and investment purposes and administrated by a central council.

**State Correctional Institution at Waymart**

The State Correctional Institution at Waymart, referred to in this report as SCI Waymart and the institution, is located in the complex that was formerly part of Farview State Hospital. Pressed into operation ahead of schedule to help deal with the aftermath of the October 1989 riot at the State Correctional Institution at Camp Hill, the joint on-site operation of a state prison and state mental health facility was unique in Pennsylvania at that time. In October 1995, Farview State Hospital was transferred from the Department of Public Welfare to the Department of Corrections, turning the facility into a minimum-security institution that houses male inmates. The facility also houses the Department of Corrections Forensic Treatment Center, a unit which houses mentally disabled male inmates who require inpatient psychiatric care and treatment. SCI Waymart is located in Canaan Township and Waymart Borough, Wayne County, on approximately 770 acres of land. The facility complex comprises multiple buildings, the majority of which are designated for inmate housing and programs.

The following schedule presents selected unaudited SCI Waymart operating data compiled for the years ended June 30, 2007, 2008, and 2009.

State Correctional Institution at Waymart  
 Department of Corrections

Background  
 Information

*Pennsylvania Department of the Auditor General  
 Jack Wagner, Auditor General  
 December 2011*

	Using Rounding		
	2007	2008	2009
<b>Operating expenditures<sup>5</sup></b>			
State	\$63,911,435	\$64,500,672	\$66,509,702
Federal	<u>192,516</u>	<u>135,613</u>	<u>128,322</u>
<b>Total operating expenditures</b>	<u>\$64,103,951</u>	<u>\$64,636,285</u>	<u>\$66,638,024</u>
Inmate population at year-end	1,388	1,209	1,450
Capacity at year-end	1,339	1,339	1,440
Percentage of capacity at year-end	103.7%	90.3%	100.7%
Average monthly inmate population	1,383	1,267	1,363
Average cost per inmate <sup>6</sup>	\$46,351	\$51,015	\$48,891

<sup>5</sup> Operating expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense.

<sup>6</sup> Average cost was calculated by dividing operating expenditures by the average monthly inmate population.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit  
Objectives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit  
Objectives**

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.

Our performance audit of SCI Waymart had eight objectives. We selected the audit objectives from the following areas: accreditation; propriety of bonuses and other employee pay incentives; service purchase contracts; the Inmate General Welfare Fund; automotive fleet; maintenance work orders; employee hiring practices, and warehouse inventory procedures. The specific audit objectives were as follows:

- One To determine if SCI Waymart received accreditation from the Commission on Accreditation for Corrections and responded to audit recommendations. (Finding 1)
- Two To determine the propriety of SCI Waymart's use of bonuses and other pay incentives for employees. (Finding 2)
- Three To assess whether SCI Waymart properly bid, authorized, and monitored service purchase contracts. (Finding 3)
- Four To determine if SCI Waymart complied with Department of Corrections policies and procedures governing the Inmate General Welfare Fund and to assess the adequacy of relevant management controls. (Finding 4)
- Five To assess SCI Waymart's compliance with Commonwealth of Pennsylvania and Department of Corrections policies and procedures regarding the purchasing of gasoline for the automotive fleet. (Findings 5 and 6)
- Six To determine whether SCI Waymart processing of work orders complied with Department of Corrections policies. (Findings 7 and 8)



**State Correctional Institution at Waymart  
Department of Corrections**

**Audit  
Objectives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

Seven To determine whether the SCI Waymart hired employees in accordance with Commonwealth of Pennsylvania and the Department of Corrections veterans' preference guidelines. (Finding 9)

Eight To determine the adequacy of SCI Waymart's management controls over warehouse inventory. (Finding 10)

The scope of the audit includes the period of July 1, 2006, to November 20, 2009, unless indicated otherwise.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Commonwealth and the Department of Corrections. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed vending commission payments and fire emergency response team required training.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit  
Results**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit  
Results**

In the pages that follow, we have organized our audit results into eight sections, one for each objective. Each of the eight sections is organized as follows:

- Statement of the objective
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit
- Relevant laws, policies, and agreements
- Methodologies used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s)
- Recommendation(s), where applicable
- Response by SCI Waymart management, where applicable
- Our evaluation of SCI Waymart management's response, where applicable

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Accreditation**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

**Audit Results  
for  
Objective  
One**

**The objective**

Objective one for our performance audit was to determine if SCI Waymart received accreditation from the Commission on Accreditation for Corrections and responded to audit recommendations.

**Scope of our audit work**

*Accreditation*

We reviewed the latest accreditation report for SCI Waymart and the annual certification statement by SCI Waymart to the American Correctional Association.

**Relevant policies or standards**

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.<sup>7</sup>

Although the accreditation process is a voluntary program, the Department of Corrections through Policy Number 1.1.2 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.<sup>8</sup>

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. 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 non-applicable standards.<sup>9</sup>

<sup>7</sup> Department of Corrections, Policy Number 1.1.2, "Accreditation Program and Annual Inspections," March 16, 2007.

<sup>8</sup> Ibid.

<sup>9</sup> [www.aca.org](http://www.aca.org) Viewed August 22, 2008, verified December 21, 2011.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Accreditation**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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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. The American Correctional Association awards an institution a three-year accreditation when these bench marks are attained.

**Methodologies to meet our objective**

We reviewed the Department of Corrections policy for obtaining accreditation.

We interviewed the SCI Waymart accreditation coordinator.

We also reviewed the Commissions on Accreditation for Corrections Standards Compliance Reaccreditation Audit Report, the American Correctional Association Visiting Committee Report and SCI Waymart's annual certification statement to the American Correctional Association.

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**Finding 1**

**SCI Waymart appropriately responded to the issues noted in the most recent standards compliance audit.**

In April 2009, the American Correctional Association and the Commission on Accreditation for Corrections awarded a three-year accreditation to SCI Waymart as a result of the audit conducted in November 2008. According to the visiting committee report, SCI Waymart complied with 100 percent of the 61 applicable mandatory standards and 437 of the 443 applicable non-mandatory standards, or 98.64 percent.

SCI Waymart, in an effort to be 100 percent compliant in the non-mandatory standards, submitted a written response detailing a plan of action to be taken by SCI Waymart to the Commission on Accreditation for Corrections. The Commission responded to SCI Waymart granting a waiver for all six non-mandatory standards cited, thus making SCI Waymart 100 percent compliant in both mandatory and non-mandatory standards.

State Correctional Institution at Waymart  
Department of Corrections

**Audit Results:**  
**Employee**  
**pay incentives**

*Pennsylvania Department of the Auditor General*  
*Jack Wagner, Auditor General*  
*December 2011*

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**Audit Results**  
**for**  
**Objective**  
**Two**

**The objective**

Objective two for our performance audit was to determine the propriety of SCI Waymart's use of bonuses and other pay incentives for employees.

**Scope of our audit work**

*Employee pay*  
*incentives*

We reviewed bonuses and other employee pay incentives for the fiscal years ended June 30, 2006, 2007, and 2008.

**Relevant policies or contractual agreements**

The Commonwealth of Pennsylvania has established a number of incentive programs to help recruit and retain certain positions that are deemed critical. In addition, certain employees are entitled to a bonus based upon contractual agreements. Examples of some of the incentive programs and bonuses are:

- Quality Assurance Program – provides monetary incentives designed to attract, retain, and reward the medical and dental professionals.<sup>10</sup>
- Specialty Board Certification – additional compensation for physicians who are certified by one or more specialty boards.<sup>11</sup>
- Nursing Certification – additional compensation for employees who have attained agreed upon nursing certifications.<sup>12</sup>
- Signing Bonus – a contractual agreement to pay permanent full-time employee in active pay status on July 1, 2007 a one-time

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<sup>10</sup> Management Directive 525.16 entitled, "Physicians and Related Occupations Quality Assurance Program," dated February 14, 2006;

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

<sup>11</sup> Management Directive 535.2 entitled, "Physicians and Related Occupations Specialty Board Certification Payments," dated February 21, 2006.

<sup>12</sup> Agreements between the Commonwealth of Pennsylvania and District 1199P, Service Employees International Union, AFL-CIO, CLC effective July 1, 2003, to June 30, 2007, and July 1, 2007, through June 30, 2011.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Employee pay  
incentives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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lump sum cash payment of \$1,250 or \$625 for permanent part-time employees.<sup>13</sup>

- Additionally, the Department of Corrections authorized lump sum payments to its management positions to coincide with the bonuses paid to its union employees.<sup>14</sup>

**Methodologies to meet our objective**

We reviewed applicable Commonwealth of Pennsylvania management directives and contractual labor agreements to establish our understanding of employee pay incentives.

We interviewed SCI Waymart's human resource officer, personnel analyst, and budget analyst.

We reviewed SCI Waymart's commitments and actual expenditure reports for fiscal years ended June 30, 2006, 2007, and 2008, to determine the amount of bonuses and other pay incentives incurred.

We determined if employee bonus payment agreed to applicable Commonwealth of Pennsylvania management directives and contractual labor agreements.

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<sup>13</sup> Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO, effective July 1, 2007, to June 30, 2011;

Collective Bargaining Agreement for Educational and Cultural Employees between the Commonwealth of Pennsylvania and the Federation of State Cultural and Educational Professionals Local 2382 American Federation of Teachers Pennsylvania AFL-CIO, effective July 1, 2007, through June 30, 2011;

Agreement between the Commonwealth of Pennsylvania and the Service Employees International Union, District 1199P, CTW, CLC, 8 effective July 1, 2007, through June 30, 2011;

Agreement between the Commonwealth of Pennsylvania and the Correctional Institution Vocational Education Association, Pennsylvania State Education Association, National Education Association, effective July 1, 2007, to June 30, 2011.

<sup>14</sup> Memo from the Governor's Office of Administration regarding Compensation and Health Care for All Employees on the Corrections Management Pay Scale, dated June 5, 2007; Department of Correction's Executive Board Resolution #CN-07-024, dated January 30, 2007, and Resolution # CN-07-137, dated June 4, 2007.

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Employee  
pay incentives**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

**Finding 2      SCI Waymart made bonus payments in accordance with the applicable management directives or contractual agreements.**

For the fiscal years ended June 30, 2006, 2007, and 2008, SCI Waymart expended \$17,600, \$339,810, and \$7,173 respectively for bonuses to employees. The following chart illustrates the breakdown of payments by general ledger fund.

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2006</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>
Quality Assurance - Medical	\$17,600	\$16,000	\$ 0
Signing Bonuses	0	320,800	6,250
Nursing Certification - Education	<u>0</u>	<u>3,010</u>	<u>923</u>
Total Awards and Bonuses Paid	<u>\$17,600</u>	<u>\$339,810</u>	<u>\$7,173</u>

All pay incentives were made in accordance to their respective management directives, and bonuses paid to union employees were made in accordance with applicable contractual labor agreements.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Service purchase  
contracts**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit Results  
for  
Objective  
Three**

**The objective**

Objective three for our performance audit was to assess whether SCI Waymart properly bid, authorized, and monitored service purchase contracts.

**Scope of our audit work**

*Service purchase  
contracts*

We reviewed a selection of service purchase contracts in effect from the period of July 1, 2008, through June 30, 2009.

**Relevant policies**

Commonwealth institutions often contract with vendors instead of providing services in-house, because the services may not warrant full-time positions or institutional 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 of Pennsylvania 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.<sup>15</sup> According to the policy, SCI Waymart's management is responsible for effectively monitoring contracted services performed on site.

**Methodologies to meet our objective**

We reviewed applicable Commonwealth of Pennsylvania policies and procedures for the procurement of services.

We interviewed SCI Waymart's purchasing agent and budget analyst.

We randomly selected and reviewed eight service purchase contracts for compliance with contract specifications, bidding requirements, authorizations, monitoring and invoicing.

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<sup>15</sup> Commonwealth of Pennsylvania, Governor's Office, Policy Number M215.3, Revision No. 4, "Field Procurement Handbook," dated April 17, 2003.



**State Correctional Institution at Waymart  
Department of Corrections**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

**Audit Results:  
Service purchase  
contracts**

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The eight contracts that were tested were for the following goods or services: Pest Control, Laundry Services, Pagers, Double Bucket Truck and Driver, Press Machine Maintenance, Cell Phones, Trash Removal, and Anthracite Coal.

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**Finding 3**

**SCI Waymart properly bid, awarded, and monitored service purchase contracts.**

Our review of the eight service purchase contracts found that SCI Waymart properly bid and awarded contracts in compliance with Commonwealth of Pennsylvania policies. In addition, contract monitors assigned to each contract ensured compliance with the terms and conditions of the contracts by verifying the accuracy of vendor invoices and determining if services provided matched the specifications in each contract, prior to approval for payment.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Inmate General  
Welfare Fund**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit Results  
for  
Objective  
Four**

**The objective**

Objective four for our performance audit was to determine if SCI Waymart complied with Department of Corrections policies and procedures governing the Inmate the General Welfare Fund and to assess the adequacy of relevant management controls.

*Inmate General  
Welfare Fund*

**Scope of our audit work**

We examined expenditure transactions for the month of June 2009, and bank reconciliations and revenue transactions for April 2009 through June 2009.

**Relevant policies**

The Inmate General Welfare Fund, referred to as IGWF, consists of non-appropriated funds that are locally controlled and administered. The fund serves as a depository for inmates' personal monies and for revenues generated by inmate related enterprises. The profits from inmate-related enterprises are used to purchase items or activities that benefit the inmates. The Department of Corrections does not deem these items or activities purchased as essential to the well-being of the inmates.

The Department Of Corrections has developed policies and procedures for the administration of the IGWF.<sup>16</sup> These policies and procedures specify the required approvals, nature, and processing of fund expenditures, as well as the collection and safeguarding of monies generated by IGWF revenue-producing shops. The Department of Corrections policies and procedures also identify the financial reports to be prepared by the individual correctional facility, including monthly balance sheets and income statements for all fund activities.

**Methodologies to meet our objective**

We reviewed Department of Corrections policies and procedures for administrating the Inmate General Welfare Fund.

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<sup>16</sup> Commonwealth of Pennsylvania, Department of Corrections Policy Statement, "Fiscal Administration," Policy Number 3.1.1, June 16, 2005, and revised April 27, 2007, November 20, 2007, and January 27, 2009; Policy Number DC-ADM 005, Policy Statement "Collection of Inmate Debts," April 7, 2004; Department of Corrections IGWF Accounting System Manual, Version 10.17.08.

**State Correctional Institution at Waymart  
Department of Corrections**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

**Audit Results:  
Inmate General  
Welfare Fund**

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We interviewed SCI Waymart's accountant and business manager.

We obtained SCI Waymart's balance sheets for the months of June 2008, and April, May, and June of 2009, and we verified the balances at June 30, 2009, by examining supporting documentation.

We also reviewed bank statements and reconciliations for the period of April 1, 2009, through June 30, 2009.

We examined 52 of 239 check disbursement transactions for the month ending June 30, 2009. In addition, we traced disbursement journal totals to the monthly balance sheet and bank statement.

We examined 23 of 113 deposits made to the revenue producing shop accounts for the period April 1, 2009, through June 30, 2009, and traced to bank statements.

We also conducted an unannounced petty cash count on October 27, 2009.

Finally, we examined 50 of 1,807 inmate transaction history summaries for the period April 1, 2009, through June 30, 2009, and recalculated 10 of the 50 inmate transaction history summaries to ensure accuracy.

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**Finding 4**

**SCI Waymart complied with Department of Corrections policies and procedures and established effective internal controls over the IGWF.**

Our analysis is summarized into five areas: a review of the policies and procedures followed by SCI Waymart personnel; the controls put in place to safeguard assets; specific tests of receipts, specific tests of disbursements, and analysis of inmate accounts. The results of our analysis in these areas follows.

**Policies and procedures.** SCI Waymart's accountant and business manager maintain a single, interest bearing checking account and utilized QuickBooks accounting software to complete bi-monthly bank reconciliations and balance sheets for the activities of the IGWF in accordance with Department of Corrections policies and procedures.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Inmate General  
Welfare Fund**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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Bank reconciliations and financial statements reviewed were accurately completed and timely forwarded to the comptroller's office by the 10<sup>th</sup> working day of the following month.

SCI Waymart's business manager maintained adequate documentation to support the following balance sheet accounts at June 30, 2009: checking account, accounts receivable, accounts payable, inmate accounts, inventory, fixed assets, and the escrow account. The auditors verified the totals from the detailed listings to the balance sheets and identified balances in both accounts receivable and account payable that were more than 60 days past due as of June 30, 2009. We followed up with SCI Waymart's accountant who provided a reasonable explanation as to why each account was past due.

**Management controls.** Adequate segregation of duties existed in the business office's handling of SCI Waymart's Inmate General Welfare Fund. Specifically, accounting clerks recorded disbursement and receipt transactions and prepared checks, the accountant signed checks and completed bank reconciliations, and the business manager reviewed and approved bank reconciliations. Two accounting clerks collected deposits and posted them to the IGWF cash receipt records, another accounting clerk completed deposit slips, and the accountant reconciled all deposits. In addition, our unannounced count found the petty cash fund to be accurate and showed the petty cash was appropriately managed.

**Disbursement testing.** All 52 check disbursement transactions tested were completed accurately and timely and were supported by either the required cash slips that denoted the amount of monies an inmate wished to disburse, or approved purchase orders, invoices, and receiving slips. The amounts on the cash slips and/or invoices matched the amounts of the checks.

**Receipt testing.** All 23 deposits made to the barber shop, shoe shine, car wash, and photo ticket accounts tested were properly processed. Cash received in the accounting department for the barber shop, shoe shine, and car wash shops was traced to receipts created in QuickBooks, deposit slips, and bank receipts. The accounting department also kept pre-numbered logs for the barber shop and shoe shine that coincided with the pre-numbered tickets distributed when an employee paid for a service.

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Inmate General  
Welfare Fund**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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Management used a car wash schedule to control the activity of the automotive shop.

Inmates and their visitors can have their pictures taken together by purchasing pre-numbered photo tickets dispensed from a locked, metered machine in the visiting room. Cash was collected and reconciled by the accountant and business manager monthly. Upon return to the business office, an accounting clerk conducted additional reconciliations and prepared deposit slips. Tickets were collected by visiting room correctional staff and forwarded to the business office weekly. Correctional staff also completed a report detailing the amount of photos taken daily, and this report served as an additional source of information for the reconciliation process. Finally, inmates could also purchase photo and ice cream tickets through a non-cash commissary order. The non-cash commissary orders were controlled through the use of authorized cash slips.

**Inmate summary transactions.** Our review of selected inmate transaction history summaries disclosed that the balances were accurate and disbursement and receipt transactions were posted correctly and supported by appropriate documentation.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Automotive  
fleet**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit Results  
for Objective  
Five**

*Automotive fleet*

**The objective**

Objective five for our performance audit was to assess SCI Waymart's compliance with Commonwealth of Pennsylvania and Department of Corrections policies and procedures regarding the purchasing of gasoline for the automotive fleet.

**Scope of our audit work**

We examined automotive fleet activity between January 1, 2009, and June 30, 2009, and personal mileage reimbursement for the fiscal years ending June 30, 2008, 2007, and 2006.

**Relevant policies**

The Commonwealth of Pennsylvania has established policy for maintaining automotive fleets.<sup>17</sup> The Department of Corrections has established policy and procedures regarding vehicle use, maintenance, and reporting.<sup>18</sup> In addition, on May 9, 2007, the Governor of the Commonwealth of Pennsylvania signed an executive order establishing the *Commonwealth Automotive Fleet Efficiency Initiative*. The initiative states the following:

*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.*<sup>19</sup>

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<sup>17</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive 615.1 Temporary Assignment of Commonwealth Automotive Fleet Vehicles, amended January 6, 2006;  
Management Directive 615.7 Repairs, Maintenance, and Payment for Services, amended October 12, 2005;  
Management Directive 615.8 Use of State Automobiles, dated March 26, 1980;  
Management Directive 615.9 Permanent Assignment of Commonwealth Automotive Fleet Vehicles, amended October 12, 2005.

<sup>18</sup> Commonwealth of Pennsylvania, Department of Corrections, Procedure Manual Policy Number 3.1.1, Fiscal Administration Section 8, Vehicles, sub-section C, General Operational Procedures, dated March 28, 2007.

<sup>19</sup> Commonwealth of Pennsylvania, Governor's Office, Executive Order No. 2007-03, Commonwealth Automotive Fleet Efficiency Initiative: Dated May 9, 2007.

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Automotive  
Fleet**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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

SCI Waymart's automotive fleet consisted of forty-two vehicles including passenger cars, maintenance trucks, perimeter security vehicles, and group transport buses. These vehicles were used to conduct institutional business and ensure the facility's security. In addition all vehicles in the automotive fleet were assigned a state issued credit card to be used for gasoline purchases only.

**Methodologies to meet our objective**

We reviewed the Commonwealth of Pennsylvania, Governor's Office Management Directives, and the applicable executive order. We also reviewed the Commonwealth of Pennsylvania, Department of Corrections, Fiscal Administration Policy 3.1.1, revised March 28, 2007.

We interviewed various SCI Waymart staff who had responsibility over the automotive fleet.

We examined and summarized all 42 monthly automotive activity reports from January 1, 2009, to June 30, 2009.

We obtained 54 of 470 personal vehicle travel expense reports for fiscal years ending June 30, 2007, 2008, and 2009 to determine if employees' personal mileage request for use forms were completed.

We also obtained the state-issued gasoline credit card statements from January 1, 2009, to June 30, 2009, for comparisons to automotive activity reports.

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**Finding 5**

**SCI Waymart failed to ensure that employees complied with policies governing the state-issued gasoline credit cards and monthly automotive activity reports.**

Our review of the monthly automotive reports from January 1, 2009, through June 30, 2009, found that employees did not record gasoline

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Automotive  
fleet**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

purchases on the monthly automotive activity reports nor did the employees attached credit card sales receipts to the activity reports as required by policy. Specifically, the Department of Corrections policy states the following:

*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<sup>20</sup>*

In addition, the Department of Corrections policy requires the following:

*Sales slips and /or invoices received as a result of a credit card purchase shall be initially turned into the facility's maintenance department and then forwarded to the facility business office as soon as possible after the purchase.*

Although no costs were recorded or no receipts were attached to the monthly automotive activity reports, our review of the state issued gasoline credit card billing statement expenses showed that no gas purchase exceeded twelve gallons of gas and the average monthly purchases for the six month period reviewed was \$500.00. Therefore gasoline purchases appeared reasonable during our audit period.

SCI Waymart management should ensure that employees comply with policies related to the monthly automotive activity reports. Without properly recording gallons of gas purchased and attaching the gas receipt to the automotive activity reports, SCI Waymart's management cannot reconcile the monthly gasoline credit card bill to the individual automotive activity reports and cannot adequately monitor gasoline purchases for reasonableness.

**Recommendations  
for Finding 5**

1. SCI Waymart management should enforce the existing policies that require monthly automotive activity reports to be complete and accurate in order to ensure the propriety of all credit card purchases.

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<sup>20</sup> Commonwealth of Pennsylvania, Department of Corrections, Procedure Manual Policy Number 3.1.1, Fiscal Administration Section 8, Vehicles, sub-section C, General Operational Procedures, dated March 28, 2007.



**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Automotive  
Fleet**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

- 
2. The business office should then implement procedures to reconcile automotive activity reports to the corresponding state issued gasoline credit card statements for purchase verification.

*Response of SCI Waymart management:*

*Prior to payment of the voyager card credit card statement, all receipts are accounted for and reconciled with the statement to insure that all charges on the statement are appropriate.*

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**Finding 6**

**SCI Waymart paid personal mileage to employees without proper documentation.**

We audited all travel expense reports of employees receiving reimbursement for personal mileage during the period July 1, 2006, through June 30, 2009. In total, there were 54 requests for personal mileage. The Department of Corrections policy states the following:

*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.<sup>21</sup>*

SCI Waymart's internal procedures manual also states the following:

*All employees must request the use of a state vehicle for off-site institutional business or training and complete a SCI-Waymart Request for Use of State Vehicle. If a state vehicle is denied, the Superintendent/Designee can approve a personal vehicle for only the employee's mileage reimbursement. When possible and/or practical, 'car pooling' is recommended. Staff who do not*

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<sup>21</sup> Commonwealth of Pennsylvania, Department of Corrections, Procedure Manual, Policy Number 3.1.1, Fiscal Administration Section 8, Vehicles, sub-section B use of personal vehicles, 1.c. dated March 28, 2007.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Automotive  
fleet**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

*follow the above procedures, may not be eligible for reimbursement when using a personal vehicle for official business.<sup>22</sup>*

Of the 54 requests for personal mileage reimbursement, we found 17 requests, totaling \$2,843, were made and paid even though the employee did not complete a request for use of state vehicle form. Without the completed forms, SCI Waymart could not verify that the availability and use of a state vehicle was considered nor could they confirm that the superintendent approved the personal vehicle use.

**Recommendations  
for Finding 6**

3. SCI Waymart management must ensure that all employees complete the required request for use of state vehicle forms before traveling in their personal car. If it is determined that a state vehicle is not available on the dates of travel, it should be noted on the vehicle request form. Finally, the superintendent or his designee should approve all employees' requests for personal mileage.

*Response of SCI Waymart management:*

*SCI Waymart agrees that vehicle request forms must be completed and approved by the Superintendent for employee travel and will continue to monitor this for compliance.*

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<sup>22</sup> State Correctional Institution at Waymart's Procedures Manual "Use of State Vehicle" Number 6.3.1 WAM 9 Section 11.

State Correctional Institution at Waymart  
Department of Corrections

**Audit Results:  
Maintenance  
work orders**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Audit Results  
for Objective  
Six**

*Maintenance work  
orders*

**The objective**

Objective six for our performance audit was to determine whether SCI Waymart's processing of work orders complied with Department of Corrections policies.

**Scope of our audit work**

We examined work orders processed from July 1, 2006, through June 30, 2009.

**Relevant policies**

The maintenance department at SCI Waymart consists of 16 trade shops, and is responsible for providing both routine and preventive maintenance.

The maintenance work order system is operated through the maintenance management system which began on November 30, 2005. This system enables each department head to electronically submit work orders to the maintenance department in accordance with department policy<sup>23</sup>.

**Methodologies to meet our objective**

We reviewed the Department of Corrections policy 10.2.1.

We interviewed the facilities maintenance manager.

We selected and examined 51 work orders processed from July 1, 2006, through June 30, 2009, to determine if maintenance personnel processed and completed the work in compliance with Department of Corrections policies.

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<sup>23</sup> Commonwealth of Pennsylvania, Department of Corrections' Policy Number 10.2.1, Facility Maintenance, Section 12, Maintenance Work Orders, and Section 13, Preventative Maintenance.. September 3, 2008.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Maintenance  
work orders**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Finding 7**

**SCI Waymart's maintenance department did not properly assign priority codes to their work orders and did not update the computerized work order system upon completion of the work orders.**

Our audit work disclosed that SCI Waymart management did not list proper priority codes on 40 of the 51 work orders we examined. According to Department of Corrections policy,<sup>24</sup> maintenance personnel should assign each work order one of the following four priority codes:

1. **Emergency** – security repairs – immediate
2. **Immediate** – health and safety repairs – work that should to be addressed immediately
3. **Urgent** – repairs that need to be addressed the next scheduled work day
4. **Routine** – general repairs and preventive maintenance.

The responsibilities of the facility maintenance managers were to evaluate, authorize, reject, schedule, prioritize, and assign work to various maintenance personnel. By not listing priority codes on all work orders, management could not ensure that assignments were addressed timely based on the severity of work order request. For example, three of the work orders we reviewed appeared to be related to security issues and therefore, should have been assigned a priority one code, yet no code was listed on the work orders. More specifically, according to the description on one work order, there was a broken lock on the main exit door of an inmate cell block. This appears to be a security issue and the lock should have been repaired immediately but according to the information on the computerized maintenance system, the repair was not completed until 15 days after the request came in.

In addition, we discovered that management did not update completed work orders to the management maintenance system as required by the policy as stated:

*As work order assignments are completed, the work order is to be signed and dated by the maintenance personnel*

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<sup>24</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1, Facility Maintenance, Section 12 – Maintenance Work Orders, Subsection D – Maintenance Priority Code Numbers.

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Maintenance  
work orders**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

*completing the work and returned to his/her immediate supervisor. The supervisor shall inspect the work, and forward the work order to the Facility Maintenance Managers' office for review and administrative tracking.<sup>25</sup>*

As a result of not properly updating the computerized maintenance system, we found numerous instances where it appeared that actual maintenance work was not completed timely. For example, a water leak in the ceiling of the education building appeared to have taken 853 days to repair but when we questioned SCI Waymart personnel about the time delay, we were informed that repairs were actually completed sooner but the actual completion date was not entered into the system.

Because accurate work order completion dates were not recorded in the management maintenance system, management's ability to adequately monitor the timely completion of work orders was hampered.

**Recommendations  
for Finding 7**

4. SCI Waymart management should ensure that the Department of Corrections policy related to the assignment of priority codes and the accurate tracking of completed work orders in the management maintenance system is followed.

*Response of SCI Waymart management:*

*At this time, SCI Waymart is deferring comment on this recommendation.*

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<sup>25</sup> Ibid.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Maintenance  
work orders**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Finding 8**

**SCI Waymart did not have a written preventive maintenance plan.**

The Department of Corrections preventive maintenance policy requires each facility to prepare a written preventative maintenance plan. Specifically, the policy states the following:

*Each facility shall develop a written preventative maintenance plan that will address the regular care and inspection of equipment and the physical plant to ensure safe and efficient operations. The plans shall include provisions for emergency repairs or replacements in life-threatening situations.<sup>26</sup>*

SCI Waymart's facility maintenance managers did not develop a written preventive maintenance plan as required. Without a written preventative maintenance plan, management does not have a mechanism to address the regular care and inspection of equipment. SCI Waymart should comply with Department of Corrections policy and develop a preventative maintenance plan.

**Recommendations  
for Finding 8**

5. SCI Waymart management should develop a written preventive maintenance plan in accordance with department policy.

*Response of SCI Waymart management:*

*At this time, SCI Waymart is deferring comment on this recommendation.*

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<sup>26</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy 10.2.1 Facility Maintenance, dated September 3, 2008 Section 13 – Preventive Maintenance A.1.

State Correctional Institution at Waymart  
Department of Corrections

**Audit Results:**  
**Hiring**  
**practices**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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**Audit Results  
for Objective  
Seven**

*Hiring practices*

**The objective**

Objective seven for our performance audit was to determine whether the SCI Waymart hired employees in accordance with Commonwealth of Pennsylvania and the Department of Corrections veterans' preference guidelines.

**Scope of our audit work**

We examined the records for the hiring of 25 employees during the period of July 1, 2006, through September 13, 2009.

**Relevant policies**

Applicants who pass civil service examinations required for appointment to positions covered by the state's Merit System receive additional benefits in recognition of their military service. These benefits commonly are referred to as veterans' preference. Veterans, who pass civil service appointment tests, receive an additional ten points on their final score. Applicants entitled to veterans' preference who are among the top three available candidates have mandatory preference in appointment over non-veterans. Finally, applicants entitled to veterans' preference may be given preference for selection regardless of their rank on the list.<sup>27</sup>

**Methodologies to meet our objective**

We reviewed commonwealth policy and the guidelines regarding veterans' preference in hiring.

We interviewed SCI Waymart's human resource analyst regarding hiring procedures.

We examined the employee records for 25 employees hired during the period of July 1, 2006, to September 13, 2009.

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<sup>27</sup>Management Directive 580.21 entitled, "Veterans' Preference on Classified Service Employment Lists," dated May 5, 2008.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

***Audit Results:  
Hiring  
practices***

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

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**Finding 9**

**SCI Waymart hired employees in compliance with veterans' preference guidelines.**

Hiring records for the employees were reviewed and supporting documents were on file to confirm that each of the employees hired was the first available candidate with the highest civil service test score on the civil service listing utilized. Our review of the lists utilized for the 25 newly hired employees confirmed that, where applicable, the ten extra veteran's preference points were added to the applicants test scores.



**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Warehouse  
inventory**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

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**Audit Results  
for Objective  
Eight**

*Warehouse  
inventory*

**The objective**

Objective eight for our performance audit was to determine the adequacy of SCI Waymart's management controls over warehouse inventory.

**Scope of our audit work**

We reviewed inventory procedures for the period July 1, 2006, through November 20, 2009, and in October 2009, we conducted a physical count of selected warehouse inventory items.

**Relevant policies**

SCI Waymart utilizes a computerized perpetual inventory system within its central receiving and distribution warehouse facility to maintain an accurate inventory of its' 480 inventory items. Inventory items include food, clothing, and housekeeping supplies necessary for the day-to-day operations of the institution. The warehouse staff is responsible for safeguarding, controlling, and effectively monitoring this inventory.

The Department of Corrections has established a policy for the administration of a warehouse, which includes procedures for warehouse operations.<sup>28</sup>

**Methodologies to meet our objective**

We reviewed the Department of Corrections policy for warehouse administration.

We interviewed appropriate SCI Waymart personnel to obtain an understanding of warehouse procedures.

We reviewed the employee role mapping positions for inventory adjustment approval and for control methods.

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<sup>28</sup> Department of Corrections Policy 3.1.1, Fiscal Administration and SCI Waymart Warehouse Procedures, January 27, 2009.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Warehouse  
inventory**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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We conducted a physical count of 46 inventory items to determine if inventory records were accurate.

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**Finding 10**

**SCI Waymart's management controls over warehouse inventory were not adequate.**

According to SCI Waymart officials, the required annual physical inventory for the fiscal year ending June 30, 2009, was conducted on June 22, 2009. SCI Waymart management then adjusted all inventory balances as necessary to provide an accurate beginning inventory count for the fiscal year beginning July 1, 2009.

Warehouse staff informed us that they conduct a weekly spot check of approximately six items. In addition, monthly spot checks of approximately six more items were conducted by the business manager. We could not confirm that these weekly and monthly spot checks were actually performed because documentation of the spot checks was not maintained. If the weekly and monthly spot checks are completed as described, then up to 80% of the total inventory items could be spot checked over the course of a year. Stated another way, if a duplicate item is never selected, then 384 inventory items (6 items x 52 weeks + 6 items x 12 months) of the total 480 items would be checked at least once during the year. When we considered the variances discovered in the annual physical inventory and the spot checks, the possible 80% of items checked is not sufficient.

In October 2009, four months after Waymart officials conducted the annual physical inventory, we conducted our own physical count of 46 inventory items. Our audit testing revealed 16 instances where our actual physical count of the 46 items did not agree with the balances on the business warehouse inventory report. When we asked Waymart personnel about the 16 discrepancies, they investigated and determined that the discrepancies were attributed to posting errors. The inventory records were then adjusted to correct the posting errors.

Because of the material error rate of approximately 35 percent in the items we sampled, we believe control procedures over warehouse inventory are not adequate and should be improved.

**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Results:  
Warehouse  
inventory**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

Additional interviews with management revealed that when a discrepancy occurred between a spot check and an inventory record; warehouse personnel adjusted the inventory record, but did not document the cause of the discrepancy or notify the business manager for authorization to adjust the inventory record.

Without adequate inventory controls including: sufficient test counts; proper investigation and approval of adjustments during annual inventories; and weekly and monthly spot checks, there is an increased possibility of theft, fraud, and misuse of commonwealth property.

**Recommendations  
for Finding 10**

6. SCI Waymart should implement additional management controls over the warehouse inventory. Specifically, management should
- ensure that the spot checks are sufficient to encompass all inventoried items throughout the year. This would enable both business office and warehouse personnel to properly monitor the accuracy of inventory balances.
  - ensure that the business manager investigates all adjustments, provides written approval and retains supporting documentation before any adjustments to inventory records are completed, and
  - maintain documentation of the weekly and monthly spot checks.

*Response of SCI Waymart management:*

*SCI Waymart is committed to maintaining an accurate inventory and will continue to do inventory spot checks and provide better documentation for any adjustments that may be required to inventory.*

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Status of Prior  
Audit Findings**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Status of  
Prior Audit**

The prior audit report of SCI Waymart covered the period July 1, 2004, to January 26, 2007, and contained six findings. Three of the findings (Findings 1, 4, and 6) were positive and thus had no recommendations. The status of the remaining findings (Findings 2, 3, and 5) is presented below. The prior report also contained one unresolved finding (Finding I-1) from the audit report of SCI Waymart that covered the period July 1, 2001, to December 3, 2004. The status of the unresolved finding is also presented below.

**Scope and methodologies**

To determine the status of the implementation of the recommendations made during the prior audit, we reviewed the response of SCI Waymart officials replying to the Auditor General's report from July 1, 2004, to January 26, 2007, and performed interviews and tests as part of, or in conjunction with, the current audit.

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**Prior Finding 2    The Employee Activities Association vending machine agreement did not include a due date for commission payments. (Resolved)**

Our prior audit disclosed that SCI Waymart's Employee Activities Association had an agreement with a vendor to provide vending machine services in the employee break rooms. Commissions from the vending machines benefit the association. When reviewing the agreement, we noted that the contract did not designate a specific date by which the vendor should pay the association the commissions owed. Our testing found that the vendor submitted commission checks to the association every six months as per a verbal agreement with the association. Nevertheless, having a payment date designated in the agreement would discourage the vendor from delaying payments beyond the due date. We recommended that all contracts requiring payments to SCI Waymart have specific payment dates spelled out in the agreement.

**State Correctional Institution at Waymart  
Department of Corrections****Status of Prior:  
Audit Findings**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

**Status as of this audit:** In September 2009, SCI Waymart's Employee Activities Association awarded a contract for vending services to a new vendor. Our review of the new agreement disclosed that Waymart complied with our prior recommendations and included a specific date for submitting commission checks to Waymart.

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**Prior Finding 3    Waymart did not verify monthly vending machine meter readings. (Unresolved)**

Our prior audit disclosed that the vendor restocks the vending machines without a representative from SCI Waymart physically present to verify the total sales. The absence of SCI Waymart oversight could allow the vendors to understate the total sales resulting in lower commissions for both the Employee Activity Association and the Inmate General Welfare Fund. There were no procedures in place to verify sales from the vending machines. Instead, management relied strictly on the vendor's word that the sales amount used to calculate commissions was accurate. To help ensure that vending commission revenue is maximized, we recommended that SCI Waymart assign a management designee the duties of accompanying the vendor when the vendor is restocking the machine, for the purpose of monitoring the meter readings and the recording of total sales.

**Status as of this audit.** While SCI Waymart responded to our prior recommendation by indicating that Waymart would look into various ways to monitor the actual meter readings and restocking, our current audit revealed management did not comply with our recommendation. SCI Waymart continued to allow the vendors, for both the Employee Activities Association and the Inmate General Welfare Fund, to restock the vending machines, without a representative from SCI Waymart present. We again recommend that SCI Waymart implement procedures to monitor the meter readings and restocking of the vending machines.

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**Prior Finding 5    Waymart did not receive commission payments from the IGWF vending machine contractor on time. (Resolved)**

Our prior audit disclosed that payment of sales commissions to SCI Waymart had been anywhere from one to five months late and the contract

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Status of Prior  
Audit Findings**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

monitor had to make several calls to the vendor before the vendor sent SCI Waymart their commission payments. The vending service agreement between SCI Waymart and Caljean Vending Machine Service Inc. required the commission amount to be computed monthly and checks sent to Waymart around the 25<sup>th</sup> of the following month.

Because the vendor did not submit the commission checks timely, the IGWF was deprived of timely receipt and use of funds and any potential interest earned on the funds that could have been used to provide inmates with recreational items. Since the untimely receipt of commission check was an on-going problem with this vendor, we recommended SCI Waymart consider obtaining vending services from another vendor. We further recommended that Waymart build penalties for late payment into the terms and conditions the contract with the new vendor.

**Status as of this audit.** Our current audit revealed the problems with the vending machine service vendor continued. In fact, we found that SCI-Waymart had received only four vending machine commission payments, totaling \$6,893 for the three year period July 1, 2006, through June 30, 2009. Not only were the payments untimely, they also appeared to be insufficient. SCI Waymart was aware of the deficient payments and in September 2009, Waymart cancelled the contract with this vendor and requested payment of \$19,851, the estimated amount of commissions earned but never paid by the vendor. In August 2009, SCI Waymart issued a request for proposal for vending machine services and subsequently awarded the contract to a different vendor. Since Waymart has a new vendor, we consider this finding to be resolved, however, we will review this issue in future audits to ensure that Waymart adequately monitors commission payments from the new vendor.

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**Prior Audit  
Finding I-1**

**Members of Fire Emergency Response Team did not receive required training. (Partially Resolved)**

The two preceding audits reported that SCI Waymart did not provide the required fire safety training to fire emergency response team members during the fiscal year ended June 30, 2004, and the 2005 calendar year, the two years selected for audit.

**State Correctional Institution at Waymart  
Department of Corrections****Status of Prior:  
Audit Findings**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

Section 2 of the Department of Corrections Staff Development and Training Procedures Manual requires 16 hours of specialized fire emergency response team training annually for fire emergency response team members, as well as 1.5 additional hours of training in respiratory protection.<sup>29</sup> Failure to obtain the required training may impact on the effectiveness of the Fire Emergency Response Team, and may jeopardize the safety of inmates, employees, and property at Waymart.

The first audit disclosed that only 7 of the 22 response team members had received the required 16 hours of training for the fiscal year ended June 30, 2004. In our most recent audit, we found that 19 of the 25 fire emergency response team members did not receive the required 16 hours of training during the 2005 calendar year.

We recommended that SCI Waymart ensure that all Fire Emergency Response Team receive the full amount of required annual fire safety training. We further recommended that Waymart officials begin to collect documentation of outside fire emergency training that some FERT members receive from their duties as volunteer firefighters in their community. The documentation should then be submitted to the Department of Corrections for a determination if the outside training meets the Department requirements.

**Status as of this audit.** Our current audit revealed that SCI Waymart management offers all members of the Fire Emergency Response Team several training opportunities to meet the required 16 hours of training as stated in the Commonwealth of Pennsylvania, Department of Corrections, Policy 5.1.1 Staff Development and Training Procedures Manual. Our review of the training records of the FERT team found that for the third audit in a row, several team members did not meet the training requirements. Specifically, we found that of the 24 FERT members, 15 did not complete the full 16 hours of training.

Although our prior recommendation to seek credit for outside training was not addressed, Waymart has instituted a new procedure to mitigate the lack of compliance with Corrections policy. Those FERT members who do not receive the full 16 hours of annual required training are placed on a

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<sup>29</sup> Department of Corrections, Policy Number 5.1.1, "Staff Development and Training," December 15, 2003, and revised June 2007 and October 2009.

**A Performance Audit  
State Correctional Institution at Waymart  
Department of Corrections**

**Status of Prior  
Audit Findings**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

---

secondary team until they complete the required amount of training hours. The secondary fire emergency response team is only called into service if the incident cannot be supported by the primary FERT members, who have received all 16 hours of training. While this action may technically address the compliance deficiency, the fact remains that not all FERT members are completing the full number of training hours as required by Department policy. Therefore, this finding is only partially resolved.

We again recommend that Waymart ensure that all FERT members complete the required 16 hours of fire emergency response training. We also recommend that Waymart work with the Department of Corrections to address the issue of determining if outside fire response training can be accepted as credit to meet the Department of Corrections requirements.



**State Correctional Institution at Waymart  
Department of Corrections**

**Audit Report  
Distribution List**

*Pennsylvania Department of the Auditor General  
Jack Wagner, Auditor General  
December 2011*

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