

Commonwealth of Pennsylvania
Department of Corrections
State Correctional Institution at Smithfield
July 1, 2003, to June 8, 2006
Performance Audit



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April 4, 2007

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 Smithfield of the Department of Corrections for July 1, 2003, through June 8, 2006. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that discrepancies existed between actual court orders and inmate account postings, timekeeping records were inaccurate, the work order system had weaknesses, pharmacy invoices and payments were not adequately reconciled, and Smithfield lacked documentation for the food waste disposal contract requirements and receipts were not posted correctly.

We discussed the contents of the report with the institution management and all appropriate comments are reflected in the report.

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

Sincerely,

JACK WAGNER
Auditor General

Table of Contents

	Page
Background Information	1
Department of Corrections.....	1
State Correctional Institution at Smithfield.....	1
Inmate General Welfare Fund.....	2
Objectives, Scope, and Methodology	3
Audit Findings.....	6
Inmate Restitution	6
Finding 1 – Discrepancies were noted between actual court orders and inmate accounts system postings.....	6
Travel Expenses	7
Finding 2 – Smithfield had adequate control over travel expenditures.	8
Human Resources.....	8
Finding 3 – Smithfield accurately recorded the beginning wage rates and leave balances.....	8
Finding 4 – Timekeeping records were inaccurate.	8
Maintenance Expense Management.....	10
Finding 5 – The maintenance department complied with policies and procedures for credit card purchases.	10
Finding 6 – Smithfield had weaknesses in its work order system.	10
Contract Management	12
Finding 7 – Smithfield incorporates effective practices in its oversight of the Islamic Society and Dental prosthesis contracts.....	12
Finding 8 – Pharmacy invoices and payments were not adequately reconciled.	13
Finding 9 – Smithfield lacked documentation for the food waste disposal contract requirements and receipts were not posted correctly.	14
Status of Prior Audit Findings and Recommendations.....	16
Objectives and Methodology	16
Prior Audit Results	16
Inmate Restitution and Other Court-Ordered Obligations	16
Finding II-1 – Restitution, fines, or costs were not deducted for some court orders issued after October 16, 1998.	16

Table of Contents

	Page
Finding II-2 – Restitution, fines, or costs were not deducted for some court orders issued prior to October 16, 1998.....	17
Procurement.....	18
Finding IV-1 – Advancement account payments were not adequately reviewed.....	18
Finding IV-2 – Payments for SAP procurement transactions were not timely.	18
Audit Report Distribution List	19

Background Information

Department of Corrections

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

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

The Department is responsible for all adult offenders serving state sentences of two years or more. As of June 8, 2006, it operated 24 correctional institutions, 1 regional correctional facility, 1 motivational boot camp, a training academy, and 15 community pre-release centers throughout the Commonwealth of Pennsylvania.

State Correctional Institution at Smithfield

The State Correctional Institution at Smithfield is a maximum-security facility for adult male offenders. It is located in Smithfield Township, Huntingdon County, approximately 40 miles east of Altoona, and is adjacent to the State Correctional Institution at Huntingdon.

The National Commission on Accreditation certifies Smithfield as an adult institution for corrections. Smithfield's mission is to protect the public by confining persons committed to its custody in safe, secure facilities, and to provide opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens while respecting the rights of crime victims.

The Bureau of Correctional Industries of the Department operates a garment plant within the institution, utilizing inmate labor in manufacturing.

Smithfield sits on approximately 50 acres of land with 31 acres located inside a double perimeter fence topped with razor wire. The main complex is comprised of 16 buildings, including 10 individual housing units, an 8-bed infirmary, an education/activities complex, a maintenance/industries complex, a dietary complex, laundry facilities, and a treatment complex. Eight housing units consist of 64 cells each, a ninth housing unit consists of 144 cells, and a restricted housing unit consists of 24 cells.

Background Information

The following schedule presents select unaudited Smithfield operating statistics compiled by the Department of Corrections for the years ended June 30, 2004 and 2005:

	2004	2005
Operating Expenditures (rounded in thousands) ¹		
State	\$37,700	\$38,133
Federal	0	0
Total	\$ 37,700	\$38,133
Inmate population at year-end	1,219	1,221
Capacity at year-end	1,000	1,000
Percent of capacity at year-end	121.9%	122.1%
Average monthly inmate population	1,213	1,215
Average cost per inmate ²	\$31,093	\$31,374

Inmate General Welfare Fund

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

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

² Average cost was calculated by dividing the operating expenditures by the average monthly inmate population.

Objectives, Scope, and Methodology

We selected the audit objectives from the following general areas: Inmate Restitution, Travel Expenses, Human Resources, Maintenance Expense Management, and Contract Management. The specific audit objectives were:

- To determine if Smithfield established and followed policies and procedures to ensure court-ordered obligations are collected and remitted in accordance with Act 84 of 1998.
- To determine the accuracy of travel expenditures as well as compliance with applicable policies and procedures.
- To determine if Smithfield had adequate management controls over the Human Resources function.
- To determine the economy and efficiency of maintenance operations and the accuracy of maintenance expenditures.
- To determine if Smithfield had adequate internal controls to ensure that service purchase contracts were monitored properly and complied with applicable Department policies and procedures.

In addition, we determined the status of recommendations made during the prior audit of the State Correctional Institution at Smithfield.

To accomplish these objectives, auditors reviewed Act 84 of 1998³ and the applicable Department⁴ policies regarding the provisions for inmate restitution, travel and subsistence allowances,⁵ the Department's policies for Human Resources and Labor Relations,⁶ and the

³ 42 Pa. C.S. §9728. Collection of restitution, reparation, fees, costs, fines and penalties.

⁴ Department of Corrections, Policy Number DC-ADM 005, Collection of Inmate Debts; Department of Corrections, Policy number 11.5.1 – Records Office Operations Procedure Manual, Section 7 – Act 84 Inmate Restitution and Information Exchange.

⁵ The Commonwealth of Pennsylvania, Governor's Office Management Directive 230.10 Amended, "Travel and Subsistence Allowances", November 1, 2000; Department of Corrections, Policy Number 6.3.1, Facility Security Manual, Section 11-Vehicles; Department of Corrections, Training and Travel Guide, November 2000.

⁶ Department of Corrections, Policy Number 4.1.1, "Human Resources and Labor Relations," February 25, 2002.

Objectives, Scope, and Methodology

union agreements in effect at Smithfield.⁷ We also reviewed the applicable Commonwealth and Department policies for facility maintenance⁸ and service purchase contracts.⁹

Auditors interviewed various facility management and staff, responsible for inmate restitution, overseeing employee travel, payroll and personnel records, as well as those responsible for maintenance and contract activity.

For the testing of Smithfield efforts to collect inmate restitution and other court-ordered obligations, auditors analyzed the court orders and personal accounts for 38 of 1,200 inmate records.

To assess Smithfield compliance with relevant travel policies the auditors selected a random sample of 36 travel expense transactions processed between July 1, 2004 and December 31, 2005.

To determine if Smithfield had adequate management controls over the Human Resources function, auditors randomly selected and tested 37 of 479 employee records from the last payroll generated under Integrated Central Systems, the old Commonwealth accounting system, and compared the records of the gross salaries to the gross salaries generated under the new SAP R/3 Payroll module for the pay period ending January 17, 2004. The auditors also reviewed the leave usage, overtime records, shift differential rates, and additional supporting documentation for the 37 sampled records for the pay periods ending December 17, 2005, and January 14, 2006.

To determine the economy and efficiency of maintenance operations and the accuracy of maintenance expenditures, auditors reviewed Smithfield's 2006 Annual Physical Plant and Recordkeeping Compliance Review Report. We randomly selected and tested 36 of 522 completed maintenance work orders for the month of March 2006, toured Smithfield's physical plant and verified the status of 28 of approximately 300 open work orders. We also randomly selected and tested 24 Visa credit card purchases from January 2005 to December 2005.

To determine if Smithfield had adequate internal controls to ensure that service purchase contracts were properly monitored, auditors reviewed the contracts, bid and purchase order documentation for 4 of 21 service contracts that exceeded the monetary threshold for competitive bidding. The four contracts reviewed included pharmacy services, chaplaincy services, removal, and recycling of food wastes, and dental prosthesis. For the Islamic

⁷ Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees effective July 1, 2003, to June 30, 2007; Collective Bargaining Agreement between Pennsylvania State Corrections Officers Association and Commonwealth of Pennsylvania Department of Corrections effective July 1, 2001, through June 30, 2004; Agreement between the Commonwealth of Pennsylvania and The Correctional Institution Vocational Education Association effective July 1, 2004, to June 30, 2007.

⁸ Department of Corrections, Policy Number 10.2.1 Facility Maintenance, October 10, 2005.

⁹ The Commonwealth of Pennsylvania; Governor's Office; Field Procurement Manual; Number M215.3; Part I – Policies and Guidelines; Part II – Procurement of Supplies Procedures; and Part III – Procurement of Services Procedures.

Objectives, Scope, and Methodology

chaplaincy services, auditors compared approved invoices to expenditure ledger entries from August 2004 to December 2005, and compared the Islamic chaplain's daily time sheets to the approved invoices for the months of September 2005 and December 2005. For the pharmacy contract, auditors compared pharmacy invoices to the corresponding expenditure ledger entries from January 2005 to December 2005, the pharmacy daily delivery sheets for the 27 delivery days during March 2006 for verification and accuracy of receipts. They also compared receipt documents for 351 pharmacy items to the March 2006 invoices. For the food waste disposal and dental prosthetics contracts, auditors compared goods receipts documents to the applicable invoices from July 1, 2004 to June 30, 2005.

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

The scope of the audit was from July 1, 2003, to June 8, 2006, unless indicated otherwise in the individual report chapters.

Audit Findings

Inmate Restitution

Act 84 of 1998 (P.L. 640, No. 84) amends Title 42 of the Pennsylvania Consolidated Statutes, defines the responsibilities of several judicial matters including court-ordered obligations.¹⁰ Title 42 authorizes the Department to make monetary deductions from inmate personal accounts for collecting restitution, court costs, fines, fees, and penalties. The collected funds are to be sent to the county in which the inmate was convicted.

Finding 1 – Discrepancies were noted between actual court orders and inmate accounts system postings.

Department guidelines for Records Office operations state, that:

It is the responsibility of the Inmates Records Office to provide copies of any court order or official county document involving inmate debt to the Business Office, as soon as it is received.¹¹

A comparison of the Inmate Accounts System account activity printouts to actual court orders for the 38 inmates selected for testing revealed the following discrepancies:

- Management did not post five court orders to the Inmate Account System and, therefore, Smithfield failed to collect \$1,328 through February 21, 2006.
- Two instances where the Inmate Accounts System recorded the same court order twice.
- Three instances where the Inmate Accounts System recorded restitution that was higher than the amount recorded on the actual court orders maintained in the inmate file. The total variance for the three instances was approximately \$1,109.
- Three instances where the Inmate Accounts System recorded restitution that was less than the amount recorded on the actual court orders maintained in the inmate file. The total variance for the three instances was approximately \$434.

¹⁰ 42 Pa. C.S. §9728. Collection of restitution, reparation, fees, costs, fines and penalties.

¹¹ Department of Corrections, Policy number 11.5.1, Records Office Operations Procedures Manual; Section 7 – Act 84 Inmate Restitution and Information Exchange; 5. Collection of Inmate Debts.

Audit Findings

According to Smithfield personnel, the State Correctional Institution at Camp Hill is responsible for entering court orders into the accounting system during initial inmate processing. Due to the volume of court orders received at Camp Hill, it is possible that court orders are filed in the inmate's jacket and, inadvertently, are not forwarded to Inmate Accounting for entry into the Inmates Accounts System. Due to the volume of court orders, Inmate Accounting may have overlooked some of the court orders that needed to be posted to the system.

Smithfield established a checklist for all inmate files received upon inmate transfer from another institution to ensure that all information has been received. However, this checklist did not require Records Office personnel to forward all court orders issued after October 16, 1998 to the facility's Business Office.

Recommendations:

- Smithfield management should require Records Office personnel to amend its checklist for all inmate files received upon transfer from another institution to ensure that all eligible court orders are forwarded to the Business Office for inmate accounting.
- Inmate accounting should ensure that all errors and discrepancies are corrected before additional deductions are made.

Management Comments:

Management agreed with the finding and stated that they will establish a policy requiring that a copy of all court orders are sent to the business office for accurate collection of court costs.

Travel Expenses

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

Audit Findings

Finding 2 – Smithfield had adequate control over travel expenditures.

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

Human Resources

Smithfield began to use the SAP R/3 modules for Human Resources and Payroll in January 2004.

Finding 3 – Smithfield accurately recorded the beginning wage rates and leave balances.

Our audit testing of 37 selected employee records revealed that gross salaries and leave balances were transferred accurately from the old system to the new SAP R/3 Payroll module. In addition, testing of overtime for the 37 records found that management had properly authorized and justified the transactions.

Finding 4 – Timekeeping records were inaccurate.

According to the Commonwealth's SAP Human Resources Guide:

Where computers are available for employee use, employees are responsible for directly: entering absence (leave) requests into SAP, entering overtime or working-out-of-class time into SAP, entering regular hours (positive time reporters only) into SAP.

In the Commonwealth's new SAP system, supervisors are responsible and accountable for: being aware of employee absences and ensuring each absence is entered timely. Timekeepers are only responsible for determining overtime rates, monitoring errors and entering time for employees who do not have computers available to them.¹²

¹² http://www.ies.state.pa.us/imaginepa/Supervisor_Guide_2-_Final.pdf, dated April 28, 2006.

Audit Findings

Testing of 37 of 479 employees' records for the proper payment of wages, benefits and recording of leave used revealed the following inaccuracies:

- One employee was not paid for eight hours of overtime resulting in salary underpayment of \$189.
- One employee submitted absence without pay leave for 7.5 hours, yet was paid for the 7.5 hours resulting in salary overpayment of \$112.
- One employee's leave was recorded incorrectly on a day worked that resulted in a shortage of leave balance worth \$119.
- Walk time was recorded in error on nine occasions for four Corrections Officers that resulted in salary underpayment of \$13 for 23 minutes.

The employee who received the absence without pay leave neglected to input the leave request into the Employee Self-Service system. The employee's supervisor failed to notice the omission because a manual leave slip was approved, and the supervisor did not have access to the employee's leave and payroll statements. The remaining inaccuracies resulted from timekeepers' errors.

Nine of the errors noted above related to overtime, referred to as walk time, and was the result of an arbitration settlement. Corrections Officers received overtime pay for each minute it took them to leave their post and punch out at the time clock. A Department memo concerning walk time stated that:

. . . arbitrators have ruled that the time spent by employees from the end of their normal eight hour shift to their exit from the institution constitutes "work" within the meaning of Article 18, Section 1 of the collective bargaining agreement. . . The Department had been paying COT's, CO1's and CO2's minute for minute for all time spent in the relief and exit process following the end of their shift since January 2, 2005.¹³

Our audit also determined during the two pay periods tested that three employees did not punch out at the time clock on nine occasions, making it difficult to determine actual hours worked. In addition, a lieutenant and a captain that were among the 37 employees tested did not have time clock punch-ins or punch outs on their respective time cards because they were not required to use the time clock. Finally, Smithfield did not have a policy regarding punching in and out at the time clock.

¹³ Department of Corrections, Bureau of Human Resources, May 5, 2005 memo sent to Superintendents from John Shaffer, Executive Deputy Secretary, on the subject of Walk Time Arbitration Settlement.

Audit Findings

Recommendations:

- Smithfield management should enforce existing policies and procedures to ensure that timekeeping errors are corrected.
- Smithfield management should develop and implement policies and procedures regarding the use of the time clock in order to reduce time record errors and inaccuracies.

Management Comments

Management agreed with the finding and stated that they will establish a policy to ensure that timekeeping errors are minimized.

Maintenance Expense Management

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

Finding 5 – The maintenance department complied with policies and procedures for credit card purchases.

We tested 24 maintenance Visa credit card purchases and determined that they complied with policies and procedures. Management approved the requests properly; justifications were appropriate and all required documentation, such as Agency Purchase requests, invoices, and receiving reports were included.

Finding 6 – Smithfield had weaknesses in its work order system.

A proper Maintenance work order system is necessary to ensure that management maintains a safe, secure, and healthy work environment for staff, inmates, and visitors. The system tracks the approval, employees' time, materials used and timeliness for each project and/or repair.

Corrections Policy states that:

Only the Department Maintenance Work Order Form DC-437 (Attachment 12-A) or the electronic equivalent is authorized for requesting maintenance work. A DC-437 must be filled out completely. An incomplete or vague

Audit Findings

DC-437 shall be returned indicating needed or missing information on a work order information request form.¹⁴

As work orders assignments are completed, it shall be the responsibility of each maintenance staff member to complete the back of the DC-437 listing time, and materials used. As work order assignments are completed, the DC-437 is to be signed and dated by the maintenance personnel completing the work and returned to his/her immediate supervisor. The supervisor shall inspect the completed work, sign the DC-437, and forward the DC-437 to the Facility Maintenance Manager's office for review and administrative tracking.¹⁵

In addition, Corrections Policy states that:

Maintenance Priority Code Numbers include the following:

#1 Emergency – Security repairs – immediate; overtime may be authorized.

#2 Immediate – Health and Safety repairs – work that needs to be addressed immediately; overtime may be authorized.

#3 Urgent – repairs that need to be addressed the next scheduled work day. Parts or materials may need to be ordered.

#4 Routine – general repairs and preventative maintenance.¹⁶

Auditors tested 36 completed work orders and found the following weaknesses:

- None of the work orders included the employee's time and material costs.
- A priority code was not assigned to 34 of 36 orders.
- Management approval was missing from 12 of 36 orders.
- An inspector's signature and date, indicating that work was completed, was missing from 5 of 36 orders.

In addition, testing of 28 open work orders found that:

- Thirteen of 28 orders were completed but remained in open status.
- Eight of 28 orders were in pending status from 142 to 412 days. Smithfield completed all the orders as of May 4, 2006.

¹⁴ Department of Corrections, Policy Number 10.2.1 Facility Maintenance, Section 12 Maintenance Work Orders A. General Procedures, 1. Requesting Maintenance Work, b.

¹⁵ Department of Corrections, Policy Number 10.2.1 Facility Maintenance, Section 12 Maintenance Work Orders A. General Procedures, 4. Completed Work Orders, d.

¹⁶ Department of Corrections, Policy Number 10.2.1 Facility Maintenance, Section 12 Maintenance Work Orders A. General Procedures, 3. Maintenance Priority Code Numbers.

Audit Findings

- Seven of the 28 orders concern an on-going problem with the floor and ceiling in dietary department.

Failure to maintain a proper work order system may cause maintenance workers to miss or avoid completing important repairs that may have security and/or safety ramifications. In addition, delaying or failure to complete the necessary work may result in significantly more expensive repairs in the future. The lack of documentation of materials and supplies used may increase the risk of misappropriation of these items for unauthorized use.

Management stated during an interview that most of the open work orders are in the maintenance repair area. The backlogged open work orders were due to the loss of a technician.

Recommendations:

- Smithfield management should enforce existing policies to ensure that all work orders include all required information.
- Smithfield management should review, verify, and prioritize all outstanding work orders in a timely manner.
- Smithfield management should evaluate the floor and ceiling in the dietary department to determine how to best correct the problems noted.

Management Comments:

Management stated that the institution would institute a computerized work order system on July 1, 2006. This should hopefully resolve the issues found.

Contract Management

Smithfield contracts with various vendors to provide a variety of goods and services. Institution management is responsible to ensure that adequate services are provided and expenditures are incurred according to contract stipulations.

Finding 7 – Smithfield incorporates effective practices in its oversight of the Islamic Society and Dental prosthesis contracts.

Our review of the Islamic Society and Dental prosthesis contracts revealed that Smithfield complied with Department policies and procedures for monitoring of the contracts. The

internal controls were sufficient to ensure that services billed were actually provided, invoices were accurate, and were approved before payment.

Finding 8 – Pharmacy invoices and payments were not adequately reconciled.

Commonwealth policy states that:

Monitoring and control are essential to ensure the contractor uses and manages its resources in a manner that will provide the agency exactly what it has contracted for in terms of quality, timeliness, and economy of cost.¹⁷ The contact person designated in the contract performs the key role in managing the contract and monitoring the contractor's performance.¹⁸

Testing of the pharmacy contract found that monthly invoices and Comptroller payments were not reconciled. The credits for returned drugs listed on the invoice were not reviewed for accuracy. In addition, Smithfield personnel did not verify that the monthly invoices and the Integrated Enterprise System payments agreed.

The Correctional Health Care Administrator is the contract monitor for the pharmacy contract. The contract monitor stated, during an interview, that the pharmacy sent monthly drug invoices to him. He reviewed the invoices for reasonableness and then sent an e-mail to the pharmacy stating that the invoice is approved. The pharmacy then directly forwarded the invoices to the Comptroller's office for payment processing. He believed that these procedures were adequate approval. Smithfield's business office did not receive copies of the invoices. The Business Manager stated that he did not know that the Correctional Health Care Administrator reviewed the invoices.

Smithfield's pharmacy costs totaled approximately \$873,000 for January 2005 through December 2005. Total credits for returned drugs totaled approximately \$9,000 during the same period.

Recommendation:

Smithfield management should establish and enforce procedures to ensure that all invoice charges and credits are accurate, copies of invoices are provided to Smithfield's Business Office, and approved invoices and Integrated Enterprise System payments are reconciled so that only actual charges are paid.

¹⁷ The Commonwealth of Pennsylvania, Governor's Office Manual, Field Procurement Handbook number M215.3, revision 4; Chapter 54 – Contact Person Responsibilities, (A) Contract Management.

¹⁸ The Commonwealth of Pennsylvania, Governor's Office Manual, Field Procurement Handbook number M215.3, revision 4; Chapter 54 – Contact Person Responsibilities, (B) Review of Reports.

Audit Findings

Management Comments:

Management stated that they would ensure that the Business Office receives a copy of the invoice. They also stated that the Business Office would review the invoices to ensure that the same invoice is paid.

Finding 9 – Smithfield lacked documentation for the food waste disposal contract requirements and receipts were not posted correctly.

Commonwealth policy states that:

For procurements exceeding \$10,000, purchasing agencies must access the Commonwealth Contractor Responsibility File to gather and analyze information on the contractor's current status and past performance; for example, any records of past violations of laws and regulations, financial capability, liabilities to the Commonwealth, experience, facilities, personnel, and any other information deemed relative to contractor responsibility.¹⁹

Our audit of the food waste disposal contract found that Smithfield did not obtain documentation to support several contract requirements. These requirements included licensing to transport food wastes, proof of insurance with the state as certificate holder and background checks on all contractor employees entering the institution.

The license to transport food wastes was provided after auditors requested a copy. The proof of insurance documentation was not obtained by Smithfield's purchasing department until May 26, 2006, or ten months after the start of the July 1, 2005 contract. Background checks were not requested by the purchasing department until May 31, 2006, and clean checks were approved by Smithfield security on June 2, 2006, more than ten months after the start of the contract. Allowing contractors inside the institution without the required background checks could cause a security breach. Smithfield management failed to obtain all required documentation prior to awarding the contract.

The testing of the goods receipts for the food waste disposal contract found that Smithfield incorrectly posted services received for Smithfield into Huntingdon's goods receipts through the Integrated Enterprise System. This error occurred on ten occasions at \$850 each. Since the merging of the purchasing departments for Smithfield and Huntingdon, it was common practice to complete only one purchase order when both institutions needed the same service. The purchase order for food waste disposal included services for both Smithfield and Huntingdon. Therefore, the Smithfield employee also had access to Huntingdon's goods receipts and erroneously input receiving information into the wrong institution, which posted the expenditure to Huntingdon, not Smithfield. The accountant, after reviewing the invoices and receipts, adjusted Smithfield's goods receipts.

¹⁹ The Commonwealth of Pennsylvania, Governor's Office Manual, Field Procurement Handbook number M215.3, revision 4, Chapter 14, (D) Responsibility Determination 2. Procedures b.

Audit Findings

Recommendation:

- Smithfield's Business office should ensure that receipts are posted to the correct institution in order to ensure that expenditures are accurate.
- In addition, the purchasing department should obtain documentation to support all contract requirements prior to the awarding of the contract.

Management Comments:

Management stated that they would separate purchase orders for Smithfield and Huntingdon in order to alleviate posting errors. Management also stated that they would establish a policy to ensure that all contract stipulations are followed.

Status of Prior Audit Findings and Recommendations

Objectives and Methodology

The following is a summary of the findings and recommendations presented in our audit report for July 1, 2001, to August 1, 2003, along with a description of the disposition of the recommendations. One or more of the following procedures determined the status of the conclusions and recommendations:

- A review of the Department's written response, dated August 5, 2004, replying to the Auditor General's audit report.
- Tests performed as part of, or in conjunction with, the current audit.
- Discussions with appropriate institution personnel regarding the prior audit findings and recommendations.

Prior Audit Results

Inmate Restitution and Other Court-Ordered Obligations

Finding II-1 – Restitution, fines, or costs were not deducted for some court orders issued after October 16, 1998.

Our prior audit reported that testing of 30 of 692 inmates' accounts that had Act 84 deductions revealed that 4 inmates had additional court orders for which deductions were not made. If the institution had collected 20 percent of each of the four inmates' account balances, the victims and county courts would have received approximately \$1,300 through March 12, 2003.

In addition, our prior audit reported that the testing of 29 of 524 inmate records that did not have Act 84 deductions disclosed that Smithfield did not collect court-ordered obligations from 4 of the 29 inmates. If the institution had collected 20 percent of each of the four inmates' account balances, the victims and county courts would have received approximately \$2,230 through March 12, 2003.

We recommended that the Department adopt policies and procedures for review of all records of current inmates for the purpose of deducting restitution, fines, and costs related to all court orders. We also recommended that Smithfield's Records Department review all

Status of Prior Audit Findings and Recommendations

current inmate files to identify all current court orders and ensure Act 84 deductions were made for all relevant accounts.

Status:

The current audit disclosed that management at Smithfield corrected all exceptions noted in the prior report. However, the current audit also disclosed that Smithfield still did not collect all restitution, fines, or costs for court orders issued after the effective date of Act 84. Please refer to Chapter I of the current report for further discussion.

Finding II-2 – Restitution, fines, or costs were not deducted for some court orders issued prior to October 16, 1998.

The prior audit reported that Smithfield did not take Act 84²⁰ deductions from 12 inmate accounts for court orders dated prior to the Act's effective date. As a result, Smithfield failed to collect approximately \$4,080 in restitution and court costs.

We recommended that the Department adopt policies and procedures for review of all records of current inmates for the purpose of deducting restitution, fines, and costs related to all court orders. We also recommended that Smithfield's Records Department review all current inmate files to identify all current court orders and ensure Act 84 deductions were made for all relevant accounts.

Status:

During our current review, we found that the Department of Corrections has not changed their policy regarding collecting restitution for court orders issued prior to the effective date of the Act. The Department responded to our prior audit recommendation and stated that it is the Department's policy to recognize and collect on pre Act 84 court orders when appropriate direction is received from county courts. Smithfield consistently follows this policy and collects on pre Act 84 in accordance with specific direction provided by the courts. It is likely that many of the county courts lack the personnel and financial resources that would be needed to determine the current status of pre Act 84 court orders on a large-scale basis. Smithfield cannot implement a policy or procedure that could cost effectively obtain the needed information.

Based on the Department of Corrections response to our prior audit recommendation, it does not appear that a change in current policy will occur.

²⁰ 42 Pa.C.S. §9728. Collection of restitution, reparation, fees, costs, fines and penalties.

Status of Prior Audit Findings and Recommendations

Procurement

Finding IV-1 – Advancement account payments were not adequately reviewed.

The prior audit reported that Smithfield's Advancement Account payments were not adequately reviewed. The same employee received the vendor invoice, reviewed the supporting documentation, entered invoice data into the SAP system, and printed and then mailed the check to the vendor.

We recommended that Smithfield management personnel require that the Business Manager periodically review the Advancement Account check register against the supporting documentation in order to reduce the institution's risk of fraud.

Status:

Our current audit found that the Smithfield has implemented adequate management controls to monitor the Advancement Account transactions. Therefore, the Smithfield has complied with our recommendation.

Finding IV-2 – Payments for SAP procurement transactions were not timely.

The prior audit found that a review of the supporting documentation for 32 SAP purchase orders disclosed that the Comptroller paid 7 of the invoices more than 30 days after receipt of the items. Payment for these seven invoices averaged 92 days, and ranged from 56 to 141 days after the institution documented the receipt of the items.

We recommended that the Department's Comptroller investigate the cause(s) for late payments or postings of invoices processed through SAP and take any necessary corrective action. In addition, we recommended that Smithfield management establish procedures to follow up on all open purchase orders with unpaid invoices to help alert the Comptroller of the need for timely payment.

Status:

The current audit disclosed that timeliness of vendor payments has improved. Auditors tested 22 vendor payments from July 1, 2004 to February 6, 2006 and found that only two invoice payments exceeded 49 days from the receipt dates. The remaining 20 invoice payments averaged 33 days from receipt to check issuance. In addition, business office staff have established informal procedures to ensure payments are timely. Additional response and action are not necessary and the issue is resolved. Therefore, we concluded that Smithfield has complied with our recommendation.

Audit Report Distribution List

This report was initially distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

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

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

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Chair
House Appropriations Committee
Pennsylvania House of Representatives

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

State Treasurer
Pennsylvania Treasury Department

The Honorable Jeffrey A. Beard
Secretary
Pennsylvania Department of Corrections

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

State Correctional Institution at Smithfield
John Palakovich
Superintendent

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