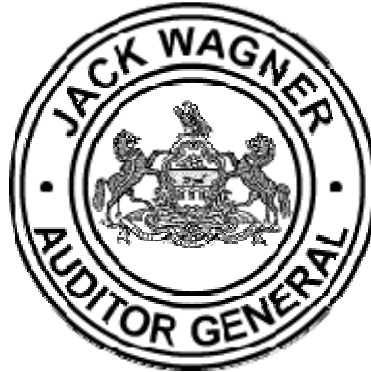


Commonwealth of Pennsylvania
Department of Corrections
State Correctional Institution at Somerset
July 1, 2004, to June 23, 2006
Performance Audit



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April 4, 2007

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

Dear Governor Rendell:

This report contains the results of a performance audit of the State Correctional Institution at Somerset of the Department of Corrections from July 1, 2004, to June 23, 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 the audit objectives, scope, methodology, findings, and recommendations. The report notes in this and in one prior audit, that the institution did not collect inmate restitution, fines, or costs for some court orders issued after October 1998. Additionally, the report identifies the facility's noncompliance with training requirements for contact and non-contact employees, as well as for members of its Fire Emergency Response Team and its Corrections Emergency Response Team. The contents of the report were discussed with the officials of the institution, and all appropriate comments are reflected in the report.

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

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Corrections

Section I of Act 408 of 1953 established the Pennsylvania Bureau of Corrections. In January 1981, responsibility for bureau operations was transferred from the authority of the Attorney General to the Office of the General Counsel. On December 30, 1984, the Governor signed Act 245 of 1984,¹ 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 incarcerated offenders and the staff responsible for them. In addition, the Department believes that every inmate should have an opportunity to be involved in a program of self-improvement.

The Department is responsible for all adult offenders serving state sentences of two years or more. As of June 23, 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 Somerset

The State Correctional Institution at Somerset is a medium security facility for adult male offenders. The institution is located in Somerset Township, Somerset County, which is approximately 70 miles southeast of Pittsburgh. Somerset opened in 1993. The institution is located on approximately 300 acres of land with 63 acres located inside a double fence topped with razor wire. The physical plant consists of ten housing units, an infirmary, an education/activities complex, and maintenance, dietary and laundry facilities. The Department's Bureau of Correctional Industries established a laundry in January 1995, employing inmates to provide laundry services to other state-owned institutions.

Somerset's mission is to protect correctional personnel and inmates through the safe, secure, and humane confinement of those sentenced to the care, custody, and control of the institution.

¹ 71 P.S. §310.1

Background Information

The following schedule presents select unaudited Somerset operating data compiled by the Department for the fiscal years ended June 30, 2004 and 2005:

	2004	2005
Operating expenditures (rounded in millions) ²	\$42.2	\$48.2
Inmate population at year end	2,147	2,267
Capacity at year end	1,900	1,900
Percentage of capacity at year end	113.0%	119.3%
Average monthly inmate population	2,294	2,244
Average cost per inmate ³	\$18,417	\$21,611

² Operating expenditures are recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense. Additionally, operating expenditures are net of annual lease costs.

³ Average cost was calculated by dividing the operating expenditures by the average monthly inmate population.

Objectives, Scope, and Methodology

We selected audit objectives, detailed in the body of this report, from the following general areas: Inmate Restitution, including an appraisal of the record keeping and collection of inmate debts; Maintenance Expense, including a review of the institution's maintenance costs and work order administration; Contract Management, including an evaluation of the institution's monitoring of its laundry service contract; and Employee Training, including an assessment of the facility's compliance with Department employee training guidelines. The specific objectives for this audit were:

- To determine if Somerset established and followed policies and procedures to ensure court-ordered obligations are collected and remitted in accordance with Act 84 of 1998 (P.L. 640, No. 84).⁴
- To assess the adequacy of controls over maintenance expenditures, to include an assessment of the economy and efficiency of operations, as well as work order administration.
- To assess Somerset's compliance with Commonwealth guidelines and to evaluate the efficacy of the institution's monitoring of the laundry service contract.
- To assess Somerset's compliance with the Department of Corrections' training guidelines.

The audit also included an update on the status of prior audit findings and recommendations regarding inmate restitution, procurement processes, and the medical contract.

The scope of the audit was from July 1, 2004, to June 23, 2006, unless indicated otherwise in the individual testing methodologies that follow.

To accomplish these objectives, auditors reviewed Act 84 and Department of Corrections' policies for the collection of inmate debts and the policies for the Records Office operations⁵. They also reviewed Department policy regarding facility maintenance,⁶ the

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

⁵ Commonwealth of Pennsylvania Department of Corrections, Policy Number 11.5.1, "Records Office Operations," July 16, 2003.

⁶ Commonwealth of Pennsylvania Department of Corrections, Policy Number 10.2.1, "Facility Maintenance," October 10, 2005.

Objectives, Scope, and Methodology

Commonwealth's procurement manual,⁷ and the Department's Staff Development and Training Procedures Manual.⁸

Auditors interviewed various facility management and staff, including staff responsible for maintenance operations and record keeping, the Correctional Industries Laundry Supervisor, the Facility Maintenance Manager, shop supervisors, and accounting personnel, the Budget Analyst and other purchasing personnel, as well as institution management and staff responsible for training, including the Training Coordinator.

To evaluate the institution's corrective actions associated with the recommendation of the prior audit report regarding court-ordered obligations, we analyzed the court orders and personal accounts for 29 of 1,954 inmates identified by the institution for Act 84 deductions as of March 1, 2006. We also examined the records and individual accounts for 29 of 277 inmates who were not identified by the institution for Act 84 deductions as of March 1, 2006.

To assess the adequacy of controls over maintenance expenditures, the economy and efficiency of operations, and work order administration, we examined Somerset's monthly summaries of maintenance activity from July 2004 through March 2006. Additionally, we analyzed the documentation associated with 33 of 4,577 work orders completed between January 1, 2006, and April 11, 2006, reviewed 20 of 255 work orders identified as open on April 11, 2006, and examined the supporting documentation for 12 of 515 maintenance credit card purchases from the fiscal year ended June 30, 2005.

To assess Somerset's compliance with Commonwealth guidelines and to evaluate the efficacy of the institution's monitoring of the laundry service contract we inspected the institution's detailed list of service purchase contracts for the fiscal years ended June 30, 2004, and June 30, 2005, reviewed the laundry service contracts for the fiscal years ended June 30, 2004, and June 30, 2005. We also examined the monthly invoices, monthly poundage reports, and expenditure ledger entries associated with the institution's laundry services for the fiscal year ended June 30, 2005.

To assess Somerset's compliance with the Department's training guidelines, auditors reviewed the facility's annual training plans for the fiscal years ended June 30, 2005, and June 30, 2006 and examined the 2004-05 training records for 70 of 572 full-time employees, including 9 of 25 members of the Fire Emergency Response Team (FERT), all 21 members of the Corrections Emergency Response Team (CERT), and all 5 newly commissioned officers. They also examined the certification of 44 of the institution's 128 instructors for the fiscal year ended June 30, 2005.

⁷ Commonwealth of Pennsylvania Governor's Office, Policy Number M215.3 Revision No. 4, "Field Procurement Handbook," April 17, 2003.

⁸ Commonwealth of Pennsylvania Department of Corrections, Policy Number 5.1.1, "Staff Development and Training," December 15, 2003.

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 the Department as it pertains to several judicial matters including court-ordered obligations.⁹ Title 42 authorizes the Department to make monetary deductions from inmate personal accounts to collect restitution, court costs, fines, fees, and penalties. The collected funds are to be sent to the county in which the inmate was convicted.

The Department has issued policies and procedures to implement Act 84. The guidelines for Records Office operations specify the responsibilities of that office regarding the processing of court orders.¹⁰ The guidelines for the collection of inmate debts direct the state correctional institutions to deduct 20 percent of the inmate's initial personal account balance and subsequent monthly income if the inmate's account balance exceeds \$10.¹¹

The prior audit conducted by the Auditor General disclosed that Somerset did not accurately record or collect restitution from 10 inmates for 19 court orders issued subsequent to October 16, 1998, the effective date of Act 84. The prior audit recommended that the institution's Records Office review all current inmate files to ensure accurate Act 84 deductions for all relevant court orders.

Finding 1 – Somerset still did not collect restitution, fines, or costs for some court orders issued after October 1998.

Department policy and procedures require an institution's Records Office to file the original court order for inmate restitution and costs and forward a copy to the institution's Business Office. The Business Office then deducts 20 percent of the inmate's initial account balance and subsequent income if the inmate's account balance exceeds \$10.

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

¹⁰ Commonwealth of Pennsylvania Department of Corrections, Policy Number 11.5.1, "Records Office Operations," July 16, 2003.

¹¹ Commonwealth of Pennsylvania Department of Corrections, Policy Number DC-ADM 005, "Collection of Inmate Debts," April 7, 2004.

Audit Findings

Department guidelines for Records Office operations state, in part:

*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.*¹²

The review of records for 29 of 277 inmates without Act 84 activity in their personal accounts disclosed that 27 of the 29 inmates did not have court orders for restitution issued after October 1998. The remaining two inmates did possess three court orders for restitution issued after the effective date of Act 84, but Somerset failed to collect restitution. Copies of the three court orders, necessary to initiate the withholdings, were not located in the facility's Business Office. As a result, Somerset failed to collect \$945 in restitution and court costs from the individual intake dates of the two inmates through March 1, 2006.

The review of records for 29 of the 1,954 inmates with Act 84 activity in their personal accounts disclosed that institution personnel did not correctly record the restitution and fines associated with 15 court orders for 10 different inmates. Somerset personnel did not record four court orders with a cumulative total of approximately \$54,900 in obligations. Although Somerset recorded the existence of the remaining 11 court orders, facility personnel incorrectly posted the obligation amounts. Somerset recorded only \$1,080 in restitution and fines for the 11 court orders, while actual restitution and fines totaled \$7,010. As a result of the 15 errors, Somerset failed to collect approximately \$890 in restitution and court costs through March 1, 2006.

Somerset personnel indicated that court orders and the associated obligations were typically entered into the inmate accounting system during initial inmate processing at the State Correctional Institution at Camp Hill.

Somerset still had not established or implemented procedures to ensure that all court orders with restitution, fines, and/or costs were accurately entered into the inmate accounting system. Somerset did not explicitly require personnel from the Records Office to forward all commitment orders issued after October 16, 1998, to the facility's Business Office for inmate accounting. Additionally, Somerset did not explicitly require Business Office personnel to review the court orders to verify the accuracy of any previous entries in the inmate accounting system.

Recommendation:

Somerset should amend its internal policies and procedures for the processing of inmate court-ordered obligations. Somerset should explicitly require Records Office personnel to forward all eligible court orders to the Business Office for inmate accounting. The Business Office should then correctly input the court-ordered costs, fines, and restitution and correct any errors or discrepancies.

¹² Commonwealth of Pennsylvania Department of Corrections, Policy Number 11.5.1, "Records Office Operations," July 16, 2003.

Management Comments:

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

Maintenance Expenses

Finding 2 – Somerset effectively controlled its maintenance expenditures and work order system.

Somerset encompasses about 300 acres of land, with approximately 63 acres located inside a double fence topped with razor wire. The physical plant, which was constructed in 1993, consists of ten housing units, an infirmary, and an education/activities complex, as well as dietary, laundry, and maintenance facilities.

During the fiscal year ended June 30, 2005, Somerset expended approximately \$447,800, or a monthly average of about \$37,300, in maintenance supply purchases through its purchasing card. These expenditures consisted of 515 separate transactions with an average value of \$870.

The institution's maintenance department consists of 17 specialty trade shops, including the automotive, carpentry, and welding shops. The primary objective of the maintenance department is to provide routine and preventive maintenance for the facility. According to Department policy, construction projects are subordinate to this primary function.¹³

In January 2006, Somerset implemented new computer software to administer its work order system. This new software enables the institution to request, prioritize, assign, log, and track work orders electronically.

Somerset adequately controlled its maintenance expenditures and effectively administered its work order system. Purchasing and receiving documents, invoices, documented justifications, and appropriate approvals accompanied the 12 sampled purchasing card disbursements. The review of 33 processed work orders disclosed that the maintenance department timely completed maintenance work an average of two days after request. The maintenance department prioritized and documented the labor and material costs for all 33 sampled work orders. Lastly, the examination of 20 open work orders revealed that the maintenance department designated all 20 work orders as low priority or routine maintenance. None of the 20 work orders that were open an average of 25 days as of April 11, 2006, involved safety or security issues.

¹³ Commonwealth of Pennsylvania Department of Corrections, Policy Number 10.2.1, "Facility Maintenance," October 10, 2005.

Audit Findings

Contract Management

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

During the fiscal year ended June 30, 2005, Somerset expended approximately \$376,000 for contracted laundry services provided by Pennsylvania Correctional Industries. Pennsylvania Correctional Industries operates its laundry services at the Somerset institution site.

The Commonwealth has established guidelines for the procurement of services. These guidelines address contract payment methods and requirements.¹⁴ Institution management is responsible for effectively monitoring contracted services performed on site.

Finding 3 – Somerset complied with Commonwealth guidelines and effectively monitored the laundry service contract.

Somerset complied with Commonwealth policies and procedures and effectively monitored the laundry service contract during the fiscal year ended June 30, 2005. The institution assigned a contract monitor specifically for laundry services. Somerset's contract monitor ensured compliance with contract terms and verified the accuracy of vendor invoices prior to payment.

Employee Training

Somerset must provide all employees with initial and continuing education that focuses on the skills essential to the maintenance of a safe and secure environment for both its inmates and staff. The Department has established guidelines regarding the content and frequency of training courses for institution management, supervisory staff, contact employees, and special team participants. These guidelines also address the required certification for instructors. Somerset's Training Department has incorporated these guidelines into its annual training plan.

¹⁴ Commonwealth of Pennsylvania Governor's Office, Policy Number M215.3 Revision No. 4, "Field Procurement Handbook," April 17, 2003.

Finding 4 – Training instructors were properly certified.

All 44 reviewed instructors completed the certification requirements specified in Section 9 of the Department's Staff Development and Training Procedures Manual. Instructors must be properly certified to ensure that employees receive proper and effective training.

Finding 5 – Somerset did not provide all required training to contact and non-contact employees, as well as to members of its Fire Emergency Response Team and its Corrections Emergency Response Team.

According to Section 2 of the Department's Staff Development and Training Procedures Manual, each employee must receive the training required by the Department for his/her job classification and duties. Section 12 of the Department manual outlines the requirements for the institution's special teams, including the mandated annual training in respiratory protection.

Somerset provided all five newly commissioned officers the training required in Section 3 of the Department's training manual. However, the review of training records for 70 full-time employees disclosed that Somerset did not provide the required training to the sampled employees during the fiscal year ended June 30, 2005, as follows:

- Twelve of 33 contact employees did not receive the required total of 40 hours of annual in-service training.
- Two non-contact employees did not receive the required total of 16 hours of annual in-service training.
- Three of 33 contact employees did not receive the required two hours of annual CPR training.
- Four of 15 corrections officers did not receive eight hours of annual training in defensive tactics and the use of force.
- None of the 15 selected corrections officers received the annual training in riot baton and riot control formations or the biannual training in Simulated Prison Environment Crisis Aversion Tools (SPECAT).
- None of the seven non-correction officers in the H1 bargaining unit received the required annual training in riot or individual baton and use of force. Additionally, one of these seven employees did not receive the annual training in chemical munitions and use of force.

Audit Findings

- Although all 21 CERT members received 60 hours of special annual training, two team members did not receive the 1.5 hours of annual training in respiratory protection.
- Although the nine selected FERT members received the 16 hours of special annual training, one of the nine team members did not receive the 1.5 hours of annual training in respiratory protection. Further review of the attendance records for the 1.5-hour respiratory protection course disclosed that none of the other 16 FERT members received this training during the fiscal year ended June 30, 2005.

Contact and non-contact employees and special team members must attend the mandated training to ensure the effective discharge of their duties. A workforce trained in CPR, defensive tactics, riot control, fire safety, and search and rescue operations is essential to ensure the safety of Somerset's inmates, employees, and visitors, as well as to safeguard the facility's assets.

Recommendation:

Somerset's management should enforce Department training guidelines to ensure that all contact and non-contact employees and members of the institution's special teams receive the required training.

Management Comments:

Institution management deferred comment until the Department has reviewed the final report.

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, 2002, to June 18, 2004, along with a description of the disposition of the recommendations. One or more of the following procedures determined the status of the recommendations:

- A review of the Department's written response, dated April 8, 2005, 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 I-1 – Restitution was not collected for some court orders dated after October 16, 1998.

The prior audit reported that Somerset did not collect restitution and costs for ten inmates' court orders issued after the effective date of Act 84.¹⁵ The court orders, which included restitution and costs totaling \$12,860, were not recorded in the inmate accounting system. As a result, Somerset failed to collect approximately \$900 in restitution and costs from October 2003 to March 2004.

We recommended that Somerset's Records Office review all current files to ensure that Act 84 deductions are made for all relevant court orders.

Status:

The current audit disclosed that Somerset did not implement the recommendation of the prior report. The review of the ten inmates' accounts cited in the prior report revealed that Somerset corrected the court-ordered restitution and costs in the inmate accounting system

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

Status of Prior Audit Findings and Recommendations

for four of the ten inmates. The institution closed the individual accounts of four other inmates who were paroled since the close of prior audit fieldwork in June 2004. The court costs were rescinded for another of the ten inmates. Finally, the institution did not revise the court-ordered obligations in the inmate accounting system for the last of the ten inmates.

The current audit revealed that Somerset again did not collect all restitution, fines, or costs for court orders issued after the effective date of Act 84. The review of records for 58 inmates disclosed that the institution did not deduct \$1,835 in restitution or court costs from the personal accounts of 12 inmates through March 1, 2006, as explained in detail in Chapter I of the current report.

Finding I-2 – Restitution was not collected for two court orders dated prior to October 16, 1998.

The prior audit reported that Somerset did not collect restitution and costs from the accounts of two inmates for court orders dated prior to the effective date of Act 84.¹⁶ Restitution and costs for the court orders totaled \$300,795. Somerset failed to collect approximately \$1,400 in restitution and court costs from the two accounts from October 2003 to March 2004.

The Department of the Auditor General took the approach that since Act 84 did not preclude the Department of Corrections from deducting inmate accounts for court orders dated prior to the Act's effective date; the Department of Corrections was remiss in not collecting these deductions.

In November 1998, the Department of Corrections took the view that it was not cost effective to apply Act 84 retroactively and directed its institutions to act only upon court orders issued on or after October 16, 1998, or upon any valid court order that was issued before the effective date and brought to the institution's attention. The directive was based on concerns that the manual review of all current inmate files would be too time-consuming and labor-intensive.

The Department of the Auditor General, based on the broader interpretation of Act 84, recommended that the Department of Corrections establish and implement policies and procedures for the review of all current inmate records for the purpose of deducting all court ordered restitution, fines, and costs.

Status:

In a letter to the Auditor General, dated August 18, 2004, the Department of Corrections disagreed with the prior report's recommendation. According to the letter, due to the sweeping provisions of Act 84 and its impact on the Department of Corrections, county courts, and many other organizations, it was decided that the Department of Corrections

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

Status of Prior Audit Findings and Recommendations

would look only at court orders submitted after October 16, 1998. In addition, the Department of Corrections would continue to collect debt from court orders for which collections were already being taken. Furthermore, due to the overwhelming workload that would be placed upon the Department of Corrections' staff, the records of approximately 36,000 currently incarcerated inmates would not be reviewed. Lastly, the Department of Corrections indicated that it wanted to start fresh in confronting the new requirements of Act 84.

The current audit disclosed that the Department of Corrections has not issued a revised directive to its institutions to collect inmate restitution and court costs associated with court orders issued prior to October 16, 1998, based on the reasons cited in the August 18, 2004 letter.

Although we reaffirm our prior position that Act 84 collection requirements may apply to the accounts of inmates sentenced to the Department of Corrections' institutions both before and after the effective date of the Act, we accept the Department of Corrections' disposition of the finding as a reasonable approach to collecting restitution and other court costs. Accordingly, we have limited our current efforts for testing compliance with Act 84 collection requirements to those court orders issued after the Act's effective date.

Procurement

Finding II-1 – Management did not review advancement account checks.

The prior audit reported that Somerset management did not review advancement account payments after the checks were electronically generated. Moreover, the Department of Correction's comptroller in Harrisburg rarely requested supporting documentation for advancement account transactions. Therefore, auditors concluded that it was possible for employees who processed advancement account checks to pay unauthorized (e.g., personal) bills without detection.

We recommended that Somerset require its Business Office management to review all advancement account checks and supporting documentation prior to the release for payment.

Status:

The current audit disclosed that Somerset implemented the recommendation of the prior audit. The examination of 20 of 379 advancement account disbursements and the 26 associated check registers for the 2005 calendar year revealed that Business Office management reviewed the supporting documentation prior to check release. Additionally, management reviewed the advancement account check register at least twice monthly.

Status of Prior Audit Findings and Recommendations

Finding II-2 – Control deficiencies existed concerning Commonwealth purchasing card transactions.

The prior audit reported that Somerset's Business Office personnel did not blacken the account numbers on the monthly Commonwealth purchasing card statements. In addition, monthly expenditure limits for the institution's five purchasing cards were substantially higher than the actual monthly expenditures. Each of the five purchasing cards had a credit limit of \$150,000. However, the greatest average monthly purchase total between July 2003 and March 2004 was approximately \$31,000.

We recommended that Somerset management blacken the account numbers on the monthly purchasing card statements to ensure that the numbers were not available to unauthorized personnel. We also recommended that Somerset management consider lowering the monthly credit limit on each card to be reflective of the estimated monthly expenditures for that operational area.

Status:

The current audit disclosed that Somerset established controls over Commonwealth purchasing card transactions. The examination of monthly statements for all five purchasing cards from January to June 2005 revealed that the account numbers for all of the statements were blackened. Although Somerset did not reduce the \$150,000 credit limits for the purchasing cards as recommended in the prior audit, Somerset management implemented other expenditure controls, such as a \$3,000 transaction limit for each card to curtail use for large dollar value purchases.

Finding II-3 – ImaginePA purchase requisition approvals were not documented.

The prior audit reported that purchase requisition approvals were not documented for 18 sampled SAP R/3 purchase transactions.

We recommended that Somerset management ensure that purchase requisition approvals are documented prior to creating a purchase order.

Status:

The current audit noted that Somerset complied with the prior audit recommendation. The review of the supporting documentation for 20 of 641 purchase orders processed entirely through the Materials Management module of SAP R/3 during the 2005 calendar year disclosed that all 20 purchase orders were prepared after the creation of approved purchase requisitions.

Status of Prior Audit Findings and Recommendations

Finding II-4 – Certain SAP roles created internal control weaknesses.

The prior audit reported that Somerset assigned the institution's two purchasing agents, an accountant, the warehouse manager, three stock clerks, a food service clerk, and a food service instructor the ability to create a purchase requisition, purchase order, and receive goods in the SAP R/3 Materials Management module. Additionally, Somerset assigned its Business Manager, Budget Analyst, and both food managers the ability to receive and issue goods from inventory. These role assignments increased the potential for errors or fraud in both procurement and inventory management.

We recommended that Somerset's Business Office review each purchase to ensure that only necessary purchases are made. We also recommended that the institution implement compensating controls to prevent one individual from creating a purchase requisition, preparing a purchase order, and receiving that order. Finally, we recommended that Somerset implement compensating controls to prevent one individual from receiving and issuing goods from inventory.

Status:

The current audit revealed that Somerset partially implemented the recommendations of the prior audit. The examination of the purchasing roles for the same 13 employee positions tested in the prior audit disclosed that Somerset corrected the segregation deficiencies for only six employee positions. Somerset removed the roles that enabled the accountant to create a purchase requisition, create a purchase order, and receive goods. The institution also removed the roles that enabled the Budget Analyst to receive and issue goods from inventory. Although Somerset continued to assign the food service clerk the ability to create a purchase requisition, the institution removed the ability to create a purchase order and receive goods. Lastly, the institution implemented compensating inventory controls, such as periodic physical counts conducted by business office personnel.

Somerset did not resolve the deficiencies in the segregation of purchasing duties for the seven remaining employee positions tested in the prior audit. Somerset continued to assign the institution's two purchasing agents, warehouse manager, three stock clerks, and a food service instructor the ability to create a purchase order and receive goods in the Materials Management module.

Although Somerset amended the assigned duties for six of the employees identified in the prior audit with segregation of duties concerns, the remaining seven employees still have assigned duties that result in potential control weaknesses. As a result, this issue is unresolved. Therefore, we again recommend that Somerset management consider revising the duties of the seven employees to strengthen the internal controls over purchasing.

Status of Prior Audit Findings and Recommendations

Medical Contract

Finding III-1 – Verification of contract employees' work hours required improvement.

The prior audit reported that the institution did not always implement time verification procedures for medical contract employees. The review of medical employee time cards for a monthly billing period disclosed that management did not document approval of 18 handwritten entries for arrival or departure times. In addition, Coronus clock printouts for the same billing period disclosed 12 instances where employees did not use the Coronus clock to record arrival or departure, as well as 4 instances where the time reported by the Coronus clock did not agree with the time reported on the time cards.

We recommended that Somerset management personnel require the contracted medical staff to use the Coronus clock as a time-monitoring instrument to verify the accuracy of contractor billings. We also recommended that management personnel document approvals on time cards containing handwritten arrival and departure times.

Status:

The current audit disclosed that the institution complied with the prior audit recommendations. On June 15, 2004, the medical contract administrator issued a memorandum regarding time verification procedures. The memorandum required medical contract employees to use both the Coronus and medical time clocks to record arrivals and departures, to obtain management approval of any handwritten entries, and to document explanations for any discrepancies between the time recorded on the medical time cards and the Coronus clock printouts.

The review of time cards for the institution's 12 medical service employees from December 25, 2005, through February 4, 2006, disclosed that the medical contract administrator documented approval of 24 of 26 handwritten entries of arrival or departure times. Additionally, a comparison of the above medical clock time cards to the corresponding Coronus clock printouts disclosed that the recorded arrival and departure times were consistent.

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

The Honorable Dwight Evans
Chair
House Appropriations Committee
Pennsylvania House of Representatives

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

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 Somerset
Gerald L. Rozum
Superintendent

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at www.auditorgen.state.pa.us.