

**Performance Audit**

**State Correctional Institution at Smithfield**

**Commonwealth of Pennsylvania  
Department of Corrections**

**July 1, 2006, to July 10, 2009**





**Performance Audit**

***State Correctional Institution at Smithfield***

**Commonwealth of Pennsylvania  
Department of Corrections**

**July 1, 2006, to July 10, 2009**



July 26, 2011

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

Dear Governor Corbett:

The report contains the results of a performance audit of the State Correctional Institution at Smithfield for the period of July 1, 2006, through July 10, 2009. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report contains eight audit objectives along with an audit scope and methodology for each objective. Where appropriate, the audit report contains findings, conclusions, and recommendations. The report noted that SCI Smithfield did not manage its automotive fleet effectively. SCI Smithfield's warehouse inventory controls were not being followed resulting in large adjustments. SCI Smithfield employees did not meet mandatory training requirements, and management did not monitor training attendance. Also, we again noted that pharmacy invoices and payments were not adequately reconciled as reported in the prior audit of SCI Smithfield.

We discussed the contents of the report with management of SCI Smithfield, and all comments are reflected in the report.

Sincerely,

**JACK WAGNER**  
Auditor General



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## **Background Information**

This section contains information about the Department of Corrections and the State Correctional Institution at Smithfield (SCI Smithfield).

### **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>

### **State Correctional Institution at Smithfield**

SCI Smithfield is a maximum-security facility for adult male offenders. It is located in Smithfield Township, Huntingdon County, approximately 40

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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> [www.cor.state.pa.us](http://www.cor.state.pa.us), accessed February 2, 2010, verified February 8, 2011.

<sup>4</sup> Ibid.

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miles east of Altoona, and is adjacent to the State Correctional Institution at Huntingdon.

The National Commission on Accreditation certifies SCI Smithfield as an adult institution for corrections. The institution'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 of Corrections operates a garment plant within the prison, utilizing inmate labor in manufacturing.

SCI Smithfield is situated on approximately 50 acres of land with 31 acres located inside a double perimeter fence topped with razor wire. The main complex comprises 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.

**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.

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The following schedule presents selected unaudited SCI Smithfield operating statistics compiled by the Department of Corrections for the years ended June 30, 2007, June 30, 2008, and June 30, 2009:

	Using rounding		
	2007	2008	2009
<b>Operating expenditures<sup>5</sup></b>			
State	\$40,887,065	\$43,389,142	\$45,032,210
Federal	14,514	18,517	19,409
<b>Total operating expenditures</b>	<u>\$40,901,579</u>	<u>\$43,407,659</u>	<u>\$45,051,619</u>
Inmate population at year-end	1,166	1,199	1,252
Inmate capacity at year-end	1,000	1,000	1,000
Percentage of capacity at year-end	116.6%	119.9%	125.2%
Average monthly inmate population	1,196	1,213	1,228
Average cost per inmate per year <sup>6</sup>	\$34,199	\$35,785	\$36,687

<sup>5</sup> Operating expenditures were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level and indirect charges were not allocated to the totals reported here.

<sup>6</sup> Average cost per inmate per year was calculated by dividing total operating expenses by the average monthly inmate population.

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**Audit Objectives**

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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 Smithfield contains eight objectives. We selected the audit objectives from the following areas: the Inmate General Welfare Fund, contracts, expenditures, accreditation, automotive fleet, warehouse inventory, training, and employee pay incentives. The specific audit objectives were as follows:

- One To determine if SCI Smithfield operated the Inmate General Welfare Fund in accordance with Department of Corrections' policies and procedures and to assess the effectiveness of relevant management controls. (Finding 1)
- Two To determine if contracts duplicated, overlapped, or conflicted with other institution efforts to provide similar goods and services. (Finding 2)
- Three To determine if the expenditures for operations were appropriate and met the objectives of the department's mission statement. (Finding 3)
- Four To determine if SCI Smithfield implemented the recommendations made by the American Correctional Association and the Commission on Accreditation for Corrections in its accreditation report. (Finding 4)
- Five To determine whether SCI Smithfield complied with the vehicle policies and procedures of the commonwealth and the Department of Corrections and to assess the adequacy of SCI Smithfield's management of its automotive fleet. (Finding 5)

**Audit  
Objectives**

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Six To determine if SCI Smithfield complied with Department of Corrections' and internal policies and procedures and had adequate controls in place over its warehouse inventory. (Finding 6)

Seven To determine whether SCI Smithfield complied with the training policies of the Department of Corrections. (Finding 7 and 8)

Eight To determine the propriety of use of employee pay incentives. (Finding 9)

The scope of the audit was from July 1, 2006, to July 10, 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 analysis 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 related to inmate restitution, human resources, maintenance and contracts.

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**Audit Results**

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**Audit Results**

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

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

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**Audit Results  
Inmate General  
Welfare Fund**

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**Audit Results  
for  
Objective  
One**

*Inmate General  
Welfare Fund*

**The objective**

Objective one for our performance audit was to determine if SCI Smithfield operated the Inmate General Welfare Fund in accordance with Department of Corrections' policies and procedures and to assess the effectiveness of relevant management controls.

**Scope of our audit work**

We selected a random sample of cash disbursement transactions posted during the period from July 1, 2007, and February 28, 2009. We also selected a random sample of deposits made between July 1, 2008, to January 21, 2009.

**Relevant laws, policies, or agreements**

The Department of Corrections has established policies and procedures for administering the Inmate General Welfare Fund.<sup>7</sup> Policy Number 3.1.1 addresses fiscal administration, and Section K of the policy specifically addresses the Inmate General Welfare Fund.

The Inmate General Welfare Fund serves as a depository for inmate-owned money and funds generated by revenue-producing operations, which are utilized for the benefit of all inmates. SCI Smithfield administers the Inmate General Welfare Fund and controls the inmate receipts and disbursement for those persons housed at the institution.

**Methodologies to meet our objective**

To establish our understanding of the Inmate General Welfare Fund, we reviewed the Department of Corrections' Section K of Policy Number 3.1.1 as referenced in the above summary of relevant laws, policies, or agreements.

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<sup>7</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 – Fiscal Administration, Section K, Inmate General Welfare Fund, issued April 18, 2008, and revised and reissued on January 20, 2009.

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**Audit Results  
Inmate General  
Welfare Fund**

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We interviewed SCI Smithfield's activities manager and accountants to establish our understanding of the implementation of the Department of Corrections' policies.-

We reviewed Inmate General Welfare Fund committee meeting minutes from July 2007 to January 2009.

We also reviewed monthly bank reconciliations from June 2007 to March 2009.

We randomly selected and tested a sample of 21 cash disbursements drawn from the 243 cash disbursement transactions that were recorded in the accounting system between July 1, 2007, and February 28, 2009.

Finally, we randomly selected and tested 10 deposits of the 31 deposits made to Inmate General Welfare Fund accounts from July 1, 2008, to January 21, 2009.

**Finding 1**

**Finding 1 – The Inmate General Welfare Fund was adequately maintained.**

Our testing of deposits and expenditure transactions revealed that the transactions were processed accurately and timely. The bank reconciliations were also prepared accurately and timely. Finally, our testing of the internal control procedures indicated that SCI Smithfield had sufficient management controls to monitor fund activity.

**Our conclusion**

Based on the results of our testing, we concluded that SCI Smithfield maintained the Inmate General Welfare Fund with sufficient controls in accordance with Department of Corrections' policies and procedures.



**Audit Results  
Contracts**

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**Audit Results  
for  
Objective  
Two**

*Contracts*

**The objective**

Objective two for our performance audit was to determine if contracts duplicated, overlapped, or conflicted with other institution efforts to provide similar goods and services.

**Scope of our audit work**

We selected eight contracts for testing of the implementation of commonwealth requirements. The contracts included waste removal, protestant chaplaincy services, communications equipment servicing, inmate urinalysis testing, telephone equipment lease, heating/air conditioning maintenance services, boiler maintenance services, and safety equipment testing.

**Relevant laws, policies, or agreements**

The commonwealth and the Department of Corrections have established policies and procedures for administering contracts.<sup>8</sup>

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

**Methodologies to meet our objective**

To establish our understanding of the contracting process, we reviewed the commonwealth and Department of Corrections' policies and procedures as referenced in the above summary of relevant laws, policies, or agreements.

We interviewed a facility maintenance manager, a maintenance clerk typist, a chaplaincy program director, a purchasing agent, a security captain, an internal accountant, and an information technician to establish

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<sup>8</sup> Commonwealth of Pennsylvania, Governor's Office Manual, Number M215.3 - *Field Procurement Handbook*; Commonwealth of Pennsylvania, Department of Corrections, Policy Number 1.6.3-Contract Compliance, issued August 14, 2007.

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**Audit Results  
Contracts**

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our understanding of the implementation of the commonwealth's requirements.

We randomly selected and tested 8 of 34 service contracts. Our testing consisted of an assessment of the key controls governing contract selection, implementation, and monitoring. Our testing also included a review of the contracts, as well as bid and purchase order documentation. Finally, we compared selected approved invoices to expenditure ledger entries for the eight contracts.

**Finding 2**

**Finding 2 – SCI Smithfield incorporated effective practices in its oversight of the contracts selected for testing.**

Our review of the selected contracts revealed that SCI Smithfield complied with Department of Corrections' policies and procedures for monitoring of the contracts. Our testing of key controls revealed that the internal controls were sufficient to ensure that services billed were actually provided, invoices were accurate, and the invoices were approved before payment. We also noted that the contracts did not duplicate, overlap, or conflict with institution efforts to provide similar or related goods and services.

**Our conclusion**

Based on the results of our testing of supporting documentation, we concluded that SCI Smithfield incorporated effective practices in its oversight of the contracts selected for testing.

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**Audit Results  
for  
Objective  
Three**

*General  
Expenditures*

**The objective**

Objective three for our performance audit was to determine if SCI Smithfield's operating expenditures were appropriate and met the objectives of the Department of Corrections' mission statement.

**Scope of our audit work**

We selected a sample of expenditures from the fiscal years ended June 30, 2007, and June 30, 2008, for testing of the implementation of commonwealth requirements.

**Relevant laws, policies, or agreements**

The mission of the Department of Corrections is to protect the public by confining persons in safe, secure facilities, and providing opportunities for inmates to acquire the skills and values necessary to become productive law-abiding citizens while respecting the rights of crime victims.<sup>9</sup> SCI Smithfield, as part of the Department of Corrections, is responsible for carrying out this mission.

SCI Smithfield is funded almost exclusively through state appropriations. The Commonwealth of Pennsylvania has established policy and procedures for procuring goods and services.<sup>10</sup> During the fiscal year ended June 30, 2007, SCI Smithfield expended approximately \$41.2 million for the procurement of equipment and for operating expenses, including about \$32.7 million for employee salaries and benefits. During the fiscal year ended June 30, 2008, SCI Smithfield expended approximately \$43.4 million, including about \$34.6 million for salaries and benefits. The remaining expenditures were designated by us as significant to our objective and were subject to more detailed review. The following table summarizes the institution's expenditures for the fiscal years ended June 30, 2007, and June 30, 2008.

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<sup>9</sup> [www.cor.state.pa.us](http://www.cor.state.pa.us), accessed February 2, 2010, verified February 8, 2011.

<sup>10</sup> Commonwealth of Pennsylvania, Department of General Services, *Field Procurement Handbook*, M215.3, Revision No. 5, July 20, 2005.

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**Audit Results  
General  
Expenditures**

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**Expenditures (rounded in millions)**

<i>Fiscal year</i>	<b>2007</b>	<b>2008</b>
Payroll and benefits	\$32.7	\$34.6
Significant expenditures	<u>8.5</u>	<u>8.8</u>
<b>Total expenditures</b>	<b><u>\$41.2</u></b>	<b><u>\$43.4</u></b>

**Methodologies to meet our objective**

To establish our understanding of the requirements for incurring expenses, we reviewed applicable commonwealth policies and procedures as referenced in the above summary of relevant laws, policies, and agreements.

We also reviewed the prison's SAP Business Warehouse module expenditure summaries for the fiscal years ended June 30, 2007, and June 30, 2008.

We interviewed an SCI Smithfield accountant to establish our understanding of the implementation of the Commonwealth's requirements.

We randomly selected and tested 56 transactions for the fiscal year ended June 30, 2007, and 28 transactions for the fiscal year ended June 30, 2008. As part of our testing, we reviewed the supporting documentation for the selected transactions.

**Finding 3**

**Finding 3 – SCI Smithfield's expenditures were reasonable, supported normal operations, and were consistent with the Department's mission.**

Using professional judgment, we considered the following categories to be non-ordinary expenditures: medical, dental or drug transactions, one-time vendor purchases, and miscellaneous transactions. We then randomly selected transactions that were of an unusually large or small dollar value and reviewed supporting documentation. For the fiscal year ended June 30, 2007, we selected a total of 56 transactions for testing management's

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**Audit Results  
General  
Expenditures**

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controls and compliance with commonwealth requirements. For the fiscal year ended June 30, 2008, we selected an additional 28 transactions for our testing.

The transactions included inventory goods, chaplaincy services, software maintenance services, pharmaceuticals, utilities, inmate payroll, maintenance repairs, office, educational and housekeeping supplies, and linens. Our review of the 84 transactions for the supplies and services did not disclose any excessive expenditures. The selected transactions were reasonable, supported normal operations, and were consistent with the mission of the Department of Corrections.

**Our conclusion**

We concluded that the selected transactions were appropriate and met the objectives of the Department's mission statement to maintain safe, secure facilities.

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**Audit Results  
Accreditation**

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**Audit Results  
for  
Objective  
Four**

*Accreditation*

**The objective**

Objective four for our performance audit was to determine if SCI Smithfield implemented the recommendations made by the American Correctional Association and the Commission on Accreditation for Corrections in its accreditation report.

**Scope of our audit work**

We selected the October 2008 Commission on Accreditation for Corrections accreditation report for testing the implementation of the American Correctional Association accreditation standards.

**Relevant laws, policies, or agreements**

The American Correctional Association and the Commission on Accreditation for Corrections are private, nonprofit organizations that administer the only national accreditation program for adult and juvenile corrections facilities. The American Correctional Association has developed accreditation standards for use by correctional institutions.<sup>11</sup> The Commission on Accreditation for Corrections sends an audit team to the correctional institution seeking accreditation to verify that the correctional institution complies with the accreditation standards.

The accreditation program offers correctional facilities the opportunity to have their operations evaluated against national standards, to remedy deficiencies, and to upgrade the quality of programs and services. An American Correctional Association audit involves assessing the facilities' administration and management, the physical plant, institutional operations and services, and inmate programs. The audit also assesses issues and concerns that may affect the quality of life, such as staff training, adequacy of medical services, sanitation, use of segregation and detention, incidents of violence, crowding, offender activity levels,

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<sup>11</sup> American Correctional Association in cooperation with the Commission on Accreditation for Corrections, Standards for Adult Correctional Institutions, Fourth Edition.

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programs, and availability of basic services that may impact the life, safety and health of inmates and staff.<sup>12</sup>

The Department of Corrections has also developed policies and procedures for obtaining accreditation.<sup>13</sup>

#### **Methodologies to meet our objective**

To establish our understanding of the accreditation process, we reviewed applicable American Correctional Association standards and Department of Corrections' policies and procedures as referenced in the preceding summary of relevant laws, policies, or agreements.

We interviewed the superintendent's assistant to establish our understanding of the implementation of the commonwealth's requirements.

We examined the October 2008 Commission on Accreditation for Corrections standards compliance reaccreditation audit report.

We also reviewed SCI Smithfield's response to the reaccreditation audit report.

#### **Finding 4**      **Finding 4 – SCI Smithfield effectively implemented the accreditation recommendations and was awarded accreditation.**

We reviewed the October 2008 Commission on Accreditation for Corrections standards compliance reaccreditation audit report. The Commission's audit was conducted over three days and included a tour of the facility, examination of records, and interviews. The audit found that SCI Smithfield complied with 100 percent of the applicable mandatory standards and 99 percent of the applicable non-mandatory standards.

SCI Smithfield was required to provide a plan of action for three non-mandatory standards with which the institution was not in compliance.

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<sup>12</sup> Information obtained from the following website: <http://www.aca.org>, accessed March 12, 2009, verified June 20, 2011.

<sup>13</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 1.1.2 - Accreditation Program and Annual Inspections, issued March 8, 2007, and revised and reissued on October 28, 2008.

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Accreditation**

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The American Correctional Association accepted SCI Smithfield's plan of action, and SCI Smithfield was granted discretionary compliance for the three non-mandatory standards. SCI Smithfield was then awarded a three-year accreditation in January 2009.

**Our conclusion**

We concluded that SCI Smithfield complied with the recommendations of the American Correctional Association.



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**Audit Results  
for  
Objective  
Five**

*Automotive Fleet*

**The objective**

Objective five for our performance audit was to determine whether SCI Smithfield complied with the vehicle policies and procedures of the commonwealth and the Department of Corrections and to assess the adequacy of SCI Smithfield's management of its automotive fleet.

**Scope of our audit work**

We examined automotive activity, including completion of automotive forms, recording of gasoline and expenses, and personal mileage reimbursement from July 2007 to March 2009.

**Relevant laws, policies, or agreements**

The Department of Corrections has established a vehicle policy as part of its policies for fiscal administration.<sup>14</sup> In addition, the Department of Corrections also has established a vehicle policy in its policies on facility security.<sup>15</sup> Finally, the Department of Corrections provides specific guidance on completing automotive activity reports in its facility maintenance policies.<sup>16</sup>

**Methodologies to meet our objective**

To establish our understanding of automotive fleet operations, we reviewed applicable commonwealth and Department of Corrections' policies and procedures as referenced in the above summary of relevant laws, policies, or agreements.

We interviewed the facility automotive officer to establish our understanding of the implementation of the commonwealth's requirements.

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<sup>14</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 – Fiscal Administration, Section 8 – Vehicles.

<sup>15</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 6.3.1 – Facility Security, Section 11-Vehicles.

<sup>16</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1 – Facility Maintenance Procedures Manual, Section 1-General Procedures, Attachment 1-B.

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Automotive  
Fleet**

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We reviewed mileage logs, driver usage forms, fuel consumption receipts, and monthly summary reports for the period of July 1, 2007, to March 31, 2009.

We also reviewed receipts for fuel purchased from January 2008 to November 2008.

Finally, we randomly selected and tested 14 of 70 personal mileage reimbursement requests for the period of July 2007 to January 2009.

**Finding 5**

**Finding 5 – SCI Smithfield did not manage its automotive fleet effectively.**

A well-managed vehicle fleet supports the efficient and effective operations essential to a safe SCI Smithfield. Documenting mileage and fuel usage enables management to evaluate and monitor the accuracy and adequacy of vehicle usage. The documentation also allows management to monitor and schedule preventative maintenance repairs in order to control costs and prevent more costly repairs in the future.

Our audit of SCI Smithfield’s automotive fleet operations revealed the following deficiencies:

- Gasoline obtained from other institutions was not always reported on the STD-554 monthly automotive report.
- Maintenance costs, gasoline obtained from other institutions, and gasoline credit card transactions were not always reported on the monthly summary reports submitted to the central office.
- Gasoline was not always obtained from a state facility. Several purchases were made at a local gas station located less than two miles from SCI Smithfield.

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Department of Corrections policy states as follows:

*A STD-554, 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.<sup>17</sup>*

*At the end of the month, the facility Automotive Officer shall complete a summary report to be forwarded to the Central Office Automotive Officer by the 10<sup>th</sup> of the following month. The report shall include Month/Year of report, equipment number, ending odometer reading, days used, miles driven, total in-house fuel used, cost of in-house fuel, total credit card cost, total monthly repair costs and total accident repair costs.<sup>18</sup>*

*To the extent practical, gasoline, oil, lubrication, accessories, parts and repairs shall be procured from a state correctional facility automotive shop.<sup>19</sup>*

In addition, the instructions for the automotive activity report provide the following specific guidance:

*Gas/Oil Volume (In-House), and Maintenance, Accident, and the Commonwealth Credit Card Costs – There are Commonwealth agencies who have gasoline storage tanks at their various headquarters located throughout the state. Vehicles assigned to those particular agency locations are fueled from those tanks. These agencies have requested that these columns be inserted so that they are able to track the amount of fuel/cost being utilized at these locations.<sup>20</sup>*

Discussions with prison management revealed that the documentation provided was incomplete and disorganized partly because the automotive officer was on extended leave for part of the period audited.

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<sup>17</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 – Fiscal Administration, Section 8 – Vehicles, C. General Operational Procedures, 1. Facility and Central Office Vehicles, f.

<sup>18</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 – Fiscal Administration, Section 8 – Vehicles, C. General Operational Procedures, 1. Facility and Central Office Vehicles, g.

<sup>19</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1 – Fiscal Administration, Section 8 – Vehicles, C. General Operational Procedures, 1. Facility and Central Office Vehicles, a.

<sup>20</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 10.2.1 – Facility Maintenance Procedures Manual, Section 1-General Procedures, Attachment 1-B.

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**Audit Results  
Automotive  
Fleet**

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**Our conclusion**

Since the results of our testing revealed that the monthly automotive activity report and other summary reports were not always completed with information such as maintenance costs, gasoline obtained from other institutions, and gasoline credit card transactions, we concluded that critical information was missing and that SCI Smithfield was thus prevented from effectively managing its automotive fleet.

**Recommendations  
for Finding 5**

1. SCI Smithfield management should enforce existing policies to ensure that the required forms are being completed and gasoline is obtained from a state facility.
2. All mileage, fuel, and maintenance costs should be accurately documented to ensure efficient and effective vehicle operation.

*Response of SCI Smithfield Management:*

*[SCI Smithfield] has taken certain measures to insure compliance with policies and procedures. Discrepancy reports will be compiled and reported to the Facility Maintenance Manager for further action. [SCI Smithfield] was instructed by a member of the [Department of Corrections] Transportation Committee in 2008 to no longer charge for fuel obtained and/or distributed to other facilities. Gasoline was obtained from other than a state facility due to the excessive water amounts discovered in the fuel tank at [SCI Smithfield], which contaminated the supply. In addition; the gas was unable to be obtained at all times from [SCI Huntingdon] due to the malfunction of the gas pump. Superintendent Fisher has directed that the credit card purchases of gasoline will occur only in emergency situations. The business office will also communicate all credit card purchases, which will also be reconciled against the STD 554 form.*

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**Audit Results  
for  
Objective Six**

*Warehouse  
Inventory*

**The objective**

Objective six for our performance audit was to determine if SCI Smithfield complied with Department of Corrections' and internal policies and procedures and had adequate controls in place over its warehouse inventory.

**Scope of our audit work**

We selected physical inventory reconciliations and monthly inventory reports from June 2008 through May 2009 for testing the implementation of commonwealth requirements.

**Relevant laws, policies, or agreements**

State facilities must maintain an inventory of items necessary for the day-to-day operations of the prison. The facility's management is responsible for safeguarding, controlling, and effectively managing this inventory. SCI Smithfield maintains warehouse inventories consisting of such items as dietary food and supplies, maintenance supplies, office supplies, housekeeping supplies, computer items, and office equipment. SCI Smithfield consolidated warehouse operations with neighboring State Correctional Institution at Huntingdon (SCI Huntingdon) in January 2006, but each facility maintains separate warehouses for various clothing, food, housekeeping, and office supplies. SCI Smithfield maintains all dry goods in its warehouse and SCI Huntingdon maintains all canned goods in its warehouse. The Integrated Enterprise System is used for inventory management.

The Department of Corrections has developed policies for controlling warehouse inventory in its fiscal administration policy.<sup>21</sup> In addition, both SCI Huntingdon and SCI Smithfield have a warehouse procedures manual.

**Methodologies to meet our objective**

To establish our understanding of SCI Smithfield warehouse operations, we reviewed applicable commonwealth and Department of Corrections'

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<sup>21</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1-Fiscal Administration, issued April 18, 2008, reissued January 20, 2009.

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policies and procedures as referenced in the preceding summary of relevant laws, policies, or agreements.

We interviewed the business manager, budget analyst, and warehouse supervisor to establish our understanding of the implementation of the Commonwealth's requirements.

We identified key inventory controls as part of our assessment of the effectiveness of management's controls.

We obtained and analyzed the June 2008 and April 2009 physical inventory reconciliations and the reports of the monthly inventory spot checks from July 2008 to March 2009.

Finally, we observed the May 2009 spot check of 11 inventory items.

**Finding 6**

**Finding 6 – SCI Smithfield did not effectively control its warehouse inventory and thus had to make large adjustments to its inventory records.**

**Spot checks were not performed.** We reviewed SCI Smithfield's monthly physical inventory spot checks for the period of July 2008 to March 2009 and found that SCI Smithfield's budget analyst did not complete a spot check for four of the nine months, or 44 percent of the time. The budget analyst stated that spot checks were not always completed because of time restraints.

SCI Smithfield policy states in part as follows:

*A random physical inventory on ten (10) % of the stock will be completed once per month by the warehouse staff and the budget analyst II.*<sup>22</sup>

**Insufficient quantities tested.** SCI Smithfield completed a spot check of only 9 to 11 items for each of the five months that a spot check was conducted. There are 272 non-clothing items in the warehouse. Therefore, the monthly spot checks should consist of 27 items.

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<sup>22</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 3.1.1-Fiscal Administration; SCI Huntingdon and SCI Smithfield, Warehouse Procedures Manual.

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**Transfer orders not posted.** We accompanied the budget analyst on the May 2009 monthly spot check. The spot check of 11 inventory items found that five of the items had system balances greater than the actual count, thus overstating the inventory by approximately \$20,861. Further review disclosed that this discrepancy occurred because the stockroom transfer orders were not posted to the Integrated Enterprise System when the items were transferred out of the warehouse.

**New inventory location not recorded.** In addition, one of the 11 items had a system balance less than the actual count, thus understating inventory by approximately \$910. This discrepancy resulted from locating 77 additional cases of the item in another part of the warehouse. During the facility's April 2009 physical inventory, SCI Smithfield found that the actual count for this item was 87 cases less than the system balance. As a result of these identified discrepancies, management adjusted the inventory balance to reflect the actual count.

**Physical inventory had large adjustments.** Our review of SCI Smithfield's June 2008 and April 2009 physical inventories of 272 items revealed the following differences:

Physical Inventory	Physical count less than records	Physical count greater than records	Total cumulative difference
June 2008 items	(79)	85	6
Monetary effect	(\$31,077)	\$34,104	\$3,027
April 2009 items	(48)	58	10
Monetary effect	(\$167,300)	\$127,150	(\$40,150)

Discussions with management disclosed that the majority of the April 2009 difference was due to \$35,000 of beverages that were delivered directly to the kitchen and not located in the warehouse as recorded in the Integrated Enterprise System.

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Warehouse  
Inventory**

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**Our conclusion**

Adequate control over inventory is necessary to minimize the risk of potential loss. We concluded that SCI Smithfield did not establish the controls over the warehouse inventory that would have safeguarded the inventory. By not performing spot checks in sufficient quantities, by not recording inventory movement within the warehouse, and by not posting the accounting system for inventory released for use, SCI Smithfield could not be certain that all inventory items were used for intended purposes.

**Recommendation  
for Finding 6**

3. SCI Smithfield management should enforce existing policies and procedures and implement additional procedures for proper inventory management in order to safeguard inventory.

*Response of SCI Smithfield Management:*

*When this audit was conducted, items such as the beverages were purchased independently by our facility. These items were delivered directly to the kitchen; they were never stored in the warehouse. The kitchen input these items into SAP as they were received. The warehouse was tracking these items even though they were not stored there. The kitchen staff created Stock Transport Orders (STO's) to enable the warehouse to track the inventory. At the time of this audit all beverages were given the same material number regardless of the monetary value of that beverage. As a result the monetary value of the beverages did not match the actual purchase, (thereby inflating the actual cost value). The Business Office, (with assistance from Central Office), created a new material tracking system identifying various beverages and their actual cost. This system is NOW in operation and allows us to report the figures accurately.*



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**Audit Results  
for  
Objective  
Seven**

*Employee Training*

**The objective**

Objective seven for our performance audit was to determine whether SCI Smithfield complied with the training policies of the Department of Corrections.

**Scope of our audit work**

We selected training activity for the fiscal year ended June 30, 2008, for testing of the implementation of commonwealth requirements.

**Relevant laws, policies, or agreements**

The Department of Corrections has developed specific training policies for its employees.<sup>23</sup> Those training policies establish SCI Smithfield responsibility for providing all employees with initial orientation and continuing education programs that focus on skills and competencies directed toward the safety and care of the inmates as well as staff. In addition, the training coordinator is responsible for overseeing the planning, coordinating, record maintenance, and on-site monitoring of training to ensure adherence to requirements.

**Methodologies to meet our objective**

To establish our understanding of the Department of Correction's training requirements, we reviewed department policies and procedures as referenced in the above summary of relevant laws, policies, and agreements.

We also reviewed the facility's annual training plans for the fiscal year ended June 30, 2008.

We interviewed the training coordinator to establish our understanding of the implementation of the commonwealth's requirements.

We examined 14 mandatory course instructors' certification documents to determine if the instructors possessed the required certifications.

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<sup>23</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training, December 15, 2003.

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Employee  
Training**

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We randomly selected and tested 28 of 431 employee training records for the fiscal year ended June 30, 2008.

We also randomly selected and tested 10 of the 22 Fire Emergency Response Team members' training records for the fiscal year ended June 30, 2008.

Finally, we randomly selected and tested 9 of 21 Corrections Emergency Response Team members' training records for the fiscal year ended June 30, 2008.

**Finding 7**

**Finding 7 – SCI Smithfield ensured that its course instructors were certified properly.**

Department of Corrections' policy states that the facility training coordinator is responsible for ensuring that instructors, who conduct local training successfully complete all initial certification and re-certification requirements applicable to the subject material being taught.<sup>24</sup> Our examination of the records for 14 mandatory course instructors found that the 14 instructors received proper certification for their teaching assignments.

**Our conclusion**

We concluded that SCI Smithfield complied with the requirements for certified training instructors.

**Finding 8**

**Finding 8 – SCI Smithfield employees did not meet mandatory training requirements, and SCI management did not monitor training attendance.**

SCI Smithfield's training program did not comply with the Department of Corrections' mandatory training requirements. The Department of

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<sup>24</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 9 – Instructor Certification, A. General, 2.

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Corrections' training policy has established the following specific training requirement:

*Each Department employee will receive training mandated by the Department and required by his/her job classification and duties.<sup>25</sup>*

**Minimum hours almost completed.** To test compliance with department training policy during the fiscal year ended June 30, 2008, we selected training records for 28 employees. Our first test was to determine if employees received the required 40 hours of training. The following table reflects the results of that testing.

<b>Minimum of 40 Hours</b>	<b>Number of staff</b>	<b>Percentage</b>
Received all training hours	26	98%
Received some training hours	<u>2</u>	<u>2%</u>
<b>Total</b>	<u>28</u>	<u>100%</u>

**Required courses were not completed.** Our next test was to determine if SCI Smithfield employees received the specific courses required for their job classifications. The Department of Corrections' policy also provides specific requirements for mandatory training courses:

*In-service training, designated by the Department as mandatory, must be completed each fiscal year unless otherwise noted in the Mandatory Training List.<sup>26</sup>*

Our testing showed that 13 of the 28 employees selected for testing did not receive the required courses specific to their job classifications.

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<sup>25</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 2 – Minimum Training Criteria, A. General Procedures, 5.

<sup>26</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 2 – Minimum Training Criteria, A. General Procedures, 6.

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<b>Required courses</b>	<b>Number of staff</b>	<b>Percentage</b>
Received all required courses	15	54%
Received some required courses	<u>13</u>	<u>46%</u>
<b>Total</b>	<b><u>28</u></b>	<b><u>100%</u></b>

**Fire Emergency Response Team.** SCI Smithfield also operates two specialized teams that require additional specific training. The first team, known as the Fire Emergency Response Team, did not receive the required training. We reviewed the training records for 10 of the 22 members of the fire emergency response team. Our testing found that 5 of the 10 members did not receive the required training for the fiscal year ended June 30, 2008. In addition, 4 of the 10 members selected for testing did not receive the required respiratory training for the fiscal year ended June 30, 2008.

**Corrections Emergency Response Team (CERT).** The second specialized team is known as the Corrections Emergency Response Team. The Department of Corrections has established specific training policy for this team as follows:

*At a minimum, all mandatory subjects and hourly requirements shall be covered annually. A member who does not attend scheduled training must be rescheduled by the CERT Leader, in coordination with the Training Coordinator, to fulfill all CERT mandatory training hours before the end of the fiscal year.<sup>27</sup>*

We reviewed training records for 9 of the 21 members of the Corrections Emergency Response Team. When we tested the training records for the nine members, we found that 6 of the 9 members did not receive all the required training. In addition, we found that 5 of the 9 members were required to attend chemical munitions training, and 1 of the 9 members was required to attend tactical rifle specialist training. None of the six members who had the requirements for the additional specialized training received that training.

<sup>27</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 12 – Special Response Teams Training Requirements, E. Corrections Emergency Response Teams, 1. General Procedures, c.

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**Management responsibility.** The Department of Corrections' training policy establishes the position of training coordinator and assigns the following duties:

*A Training Coordinator is responsible for supervising the planning, coordinating, and monitoring of on-site training. He/She is also responsible for maintaining facility ... training records.<sup>28</sup>*

*All facilities shall ensure that each employee receives all mandatory training. In the event that an employee is unable to attend a scheduled training session due to anticipated or unanticipated leave, the Training Coordinator shall ensure that the employee is rescheduled to receive the missed training. Within 30 days of the employee returning to duty, the Training Coordinator shall ensure that the training is scheduled and that the employee receives the missed training no later than the end of the following training quarter.<sup>29</sup>*

The Department of Corrections also requires management oversight of training as follows:

*Managers and supervisors shall ensure attendance of subordinate employees.<sup>30</sup>*

Our discussions with the training coordinator revealed that managers and supervisors were provided with monthly status reports that listed the remaining uncompleted courses for their staff. However, as indicated by the results of our testing of employee training records, SCI Smithfield management, including the training coordinator, did not ensure that staff received all required training.

### **Our conclusion**

In-service training and employee development is necessary to improve upon, maintain, or enhance employees' basic skills, knowledge, and abilities. Management needs to track attendance and schedule applicable

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<sup>28</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 2 – Minimum Training Criteria, A. General Procedures, 2.

<sup>29</sup> The Department of Corrections' Policy Number 5.1.1 - Staff Development and Training; Section 2 – Minimum Training Criteria; B. Mandated In-Service, 4.

<sup>30</sup> Commonwealth of Pennsylvania, Department of Corrections, Policy Number 5.1.1- Staff Development and Training; Section 2 – Minimum Training Criteria, A. General Procedures, 6.

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Employee  
Training**

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**Recommendations  
for Finding 8**

personnel in make-up courses as soon as possible. We concluded that SCI Smithfield management did not ensure that the employees were properly trained.

4. SCI Smithfield management should ensure that employees receive mandatory training.
5. The Training Coordinator should monitor training and maintain all applicable records to ensure that staff are properly trained.

*Response of SCI Smithfield Management:*

*Due to the development of the new training tracking program CLE (Corrections Learning Environment), logging and tracking employee training was difficult. CLE is still not fully functional, however, entering training data and individual training reports are operational. System generated profiles for each employee and system generated special teams profiles indicate what training each class (contact, non-contact, H-1, H-1 non CO, etc.) of employee needs, has, and has not yet completed for the training year.*

*Emails have been sent out to Special Teams Coordinators to make sure that all training sign-in sheets are being sent. In order for the training records to be accurate, the Training Coordinator needs the sign-in sheets to log into the CLE System.*

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**Audit Results  
for  
Objective  
Eight**

**The objective**

Objective eight for our performance audit was to determine the propriety of use of employee pay incentives.

*Employee Pay  
Incentives*

**Scope of our audit work**

We selected employee pay incentives made during the fiscal years ended June 30, 2007, and June 30, 2008, for testing of the implementation of commonwealth requirements.

**Relevant laws, policies, or agreements**

The Commonwealth has developed certain programs, incentives, and union contract stipulations in order to attract, retain, and reward medical professionals. The Quality Assurance Program provides monetary incentives based on years of service to attract, retain, and reward the medical professionals. Also, a physician who has one or more specialty board certifications is eligible for additional compensation.<sup>31</sup> Nursing employees who obtain certification receive an annual incentive through their union contract. In addition, the several union contracts had a one-time signing bonus for all active employees as of July 1, 2007.<sup>32</sup>

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<sup>31</sup> Commonwealth of Pennsylvania, Governor's Office, Management Directive 525.16 - Physicians and Related Occupations Quality Assurance Program; Commonwealth of Pennsylvania, Governor's Office, Management Directive 535.2 - Physicians and Related Occupations Specialty Board Certification Payments; Commonwealth of Pennsylvania, Governor's Office, Executive Board Resolution Numbers CN-07-122 and CN-07-137.

<sup>32</sup> Memorandum of Understanding between Commonwealth of Pennsylvania and OPEIU Healthcare Pennsylvania, Local 112; Agreement between Commonwealth of Pennsylvania and The Service Employees International District 1199P, CTW, CLC; Agreement between Commonwealth of Pennsylvania and Local 668 SEIU Pennsylvania Social Services Union; Master Agreement between the Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO; Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance; 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; Agreement between Commonwealth of Pennsylvania and the Correctional Institution Vocational Education Association, Pennsylvania State Education Association, National Education Association; Agreement between the Commonwealth of Pennsylvania and Pennsylvania State Corrections Officers Association.

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**Audit Results  
Employee Pay  
Incentives**

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**Methodologies to meet our objective**

To establish our understanding of the use of employee pay incentives at SCI Smithfield, we reviewed applicable commonwealth policies and agreements as referenced in the above summary of relevant laws, policies, or agreements.

We also reviewed the June 2007 detailed employee complement report to establish the population of employees at SCI Smithfield.

We interviewed the human resource analyst to establish our understanding of the implementation of the commonwealth's requirements.

Finally, we reviewed the supporting documentation for employee pay incentives made during the fiscal years ended June 30, 2007, and June 30, 2008.

**Finding 9**

**Finding 9 – SCI Smithfield calculated monetary incentives and one-time signing bonuses in accordance with commonwealth policy and applicable collective bargaining agreements.**

We reviewed monetary incentive payments made to physicians and nurses from July 1, 2006, through June 30, 2008. All payments were accurately calculated and processed in accordance with contract requirements to provide incentives to nurses and medical professionals to attract and retain quality professionals.

SCI Smithfield made the \$1,250 one-time bonus payment to full-time employees and the \$625 payment to part-time employees that were on active pay status as of July 1, 2007, or who were inactive but returned to active status prior to December 31, 2007. A review of payroll data showed that these payments were accurately processed.

Finally, we noted that the superintendent received a management performance award during the fiscal year ended June 30, 2007. This payment was made in accordance with commonwealth policy.



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**Our conclusion**

We concluded that SCI Smithfield calculated monetary incentives and one-time signing bonuses in accordance with commonwealth policy and applicable collective bargaining agreements. We did not determine the merits of the management performance award for the superintendant or the merits of the policy that allowed the award; we determined only that the award was made in accordance with the policy.

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**Status of  
Prior Audit**

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**Status of  
Prior Audit**

**The objective**

The prior audit report of SCI Smithfield covered the period of July 1, 2003, to June 26, 2006, and contained nine findings. Four of the findings (Findings 2, 3, 5, and 7) were positive and thus had no recommendations. The status of the remaining findings (1, 4, 6, 8, and 9) and their accompanying recommendations is presented below.

**Scope of our audit work**

To determine the status of the implementation of the recommendations made during the prior audit, we reviewed the Department of Corrections' written response dated October 29, 2007, replying to the Auditor General's report for the period of July 1, 2003, to June 26, 2006. We also held discussions with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

**Prior Scope  
Area One**

**Prior Finding 1 – Discrepancies were noted between actual court orders and inmate accounts system postings. (Resolved)**

*Inmate Restitution*

The prior audit reported that 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 into the inmate accounts system and failed to collect \$1,328; the inmate accounts system listed the same court order twice in two instances; the inmate accounts system recorded restitution that was higher than the amount recorded on the actual court orders maintained in the inmate file in three instances by a total of approximately \$1,109; and the inmate accounts system recorded restitution that was less than the amount recorded on the actual court orders maintained in the inmate file in three instances for a total of \$434.

We recommended that SCI Smithfield management require records office personnel to amend its checklist for all inmate files received upon transfer from another prison to ensure that all eligible court orders are forwarded to

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Prior Audit**

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the business office for inmate accounting. We also recommended that inmate accounting ensure that all errors and discrepancies are corrected before additional deductions are made.

**Status**

The current audit disclosed that the records office is forwarding all eligible court orders to the business office for inmate accounting. In addition, we found that court orders were properly entered into the inmate accounts system and that restitution was deducted for inmates selected for testing.

**Our conclusion**

As a result of the actions taken by SCI Smithfield, we concluded that the institution has complied with our prior recommendations.

**Prior Scope  
Area Three**

**Prior Finding 4 – Timekeeping records were inaccurate. (Resolved)**

*Human Resources*

The prior audit reported inaccuracies in 37 of 479 employee records that we tested for the proper payment of wages and benefits and for the accurate recording of leave. One employee was not paid for eight hours of overtime, resulting in a salary underpayment of \$189; one employee submitted absent-without-pay leave for 7.5 hours but was paid for the 7.5 hours, resulting in salary overpayment of \$112; one employee's leave was recorded incorrectly on a day that the employee worked, resulting in a shortage of leave balance worth \$119; and walk time was recorded in error on nine occasions for four Corrections Officers, thus resulting in salary underpayments of \$13 for 23 minutes.

The audit also found 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 were not required to use the time clock. Finally, SCI Smithfield did not have a policy regarding punching in and out at the time clock.

We recommended that SCI Smithfield management enforce existing policies and procedures to ensure that timekeeping errors are corrected.

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**Status of  
Prior Audit**

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We also recommended that SCI Smithfield management develop and implement policies and procedures regarding the use of the time clock in order to further reduce time record errors and inaccuracies.

**Status**

Our follow up during the current audit found that, for the employees selected for testing, employee overtime and leave was approved, calculated, and recorded properly in SCI Smithfield's automated system. In addition, SCI Smithfield has established a policy that requires everyone entering or exiting the prison to use the biometric IVS log system. Each person enrolled in the system is issued an identification card from the Digital Photo Printrex Identification System and registers a readable finger print with the biometric finger/ID reader. When enrolled persons are entering or leaving the facility, they enter their employee number on the keypad, scan the barcode on their ID card, and scan their finger on the finger/ID reader. An officer is required to view each photo as the person uses the system to ensure a positive identification.

**Our conclusion**

As a result of the changes by the institution, we concluded that SCI Smithfield has complied with our prior recommendations.

**Prior Scope  
Area Four**

Maintenance  
Expense  
Management

**Prior Finding 6 – SCI Smithfield had weaknesses in its work order system. (Resolved)**

The prior audit found that, in our testing of 36 completed work orders, none of the work orders included the employee's time and material costs; a priority code was not assigned to 34 of the 36 orders; management approval was missing from 12 of the 36 orders; and an inspector's signature and date (indicating that work was completed) was missing from 5 of the 36 work orders.

In addition, testing of 28 open work orders found that 13 of the 28 orders were completed but remained in open status; 8 of the 28 orders were in pending status from 142 to 412 days, with all the work orders completed

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as of May 4, 2006; and 7 of the 28 work orders concerned an ongoing problem with the floor and ceiling in the dietary department.

We recommended that SCI Smithfield management enforce existing policies to ensure that all work orders include all required information. We also recommended that all outstanding work orders be reviewed, verified, prioritized, and completed in a timely manner. Finally, we recommended that the floor and ceiling in the dietary department be evaluated to determine how to best correct the problems noted.

### **Status**

Our current audit revealed that SCI Smithfield made significant improvement in the administration of its work order system. SCI Smithfield implemented a computerized work order system on July 1, 2006. We found that completed work orders now include the employee's time and material costs, priority codes, management approval, and an inspector's signature and date.

SCI Smithfield continued to address open work orders.

In addition, SCI Smithfield continued to have problems with the floor in the dietary department. This area was scheduled to be remodeled in the fall of 2009, and management provided assertions that the remodeling would resolve the ongoing maintenance issues in the dietary department.

### **Our conclusion**

As a result of the actions taken by the maintenance department, we concluded that SCI Smithfield has complied with our prior recommendations.

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**Status of  
Prior Audit**

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**Prior Scope  
Area Five**

**Prior Finding 8 – Pharmacy invoices and payments were not adequately reconciled. (Unresolved)**

Contract  
Management

Our prior audit found that, in testing the pharmacy contract, monthly invoices and comptroller payments were not reconciled. The credits for returned drugs listed on the invoice were not reviewed for accuracy. In addition, SCI Smithfield personnel did not verify that the monthly invoices and accounting system payments agreed.

We recommended that SCI Smithfield management establish and enforce procedures to ensure that all invoice charges and credits are accurate, copies of invoices are provided to SCI Smithfield’s business office, and approved invoices and accounting system payments are reconciled so that only actual charges are paid.

**Status**

SCI Smithfield verified that the amounts on pharmacy invoices agreed with associated totals on daily drug sheets. However, SCI Smithfield did not reconcile its returned prescriptions to the monthly credit reports prepared by the pharmacy. Our audit found that daily delivery sheets agreed to invoices for the months of February and March 2009. However, SCI Smithfield documented 315 returned prescriptions while the pharmacy’s credit statements had only 210 returns for the period December 15, 2008, to March 15, 2009. Furthermore, the pharmacy’s credit statement had 46 returned prescriptions totaling \$231 that were not on SCI Smithfield’s documentation of returned drugs.

Discussions with management revealed that the correctional health care administrator hired in December 2008 accepted the pharmacy credit amounts without review. There was no documentation that the previous correctional health care administrator reconciled credits.

**Our conclusion**

SCI Smithfield did not comply with our recommendation to ensure that all invoice credits were accurate.

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**Recommendations  
for Prior Finding 8**

6. SCI Smithfield management should verify that returned drugs documentation agrees with the pharmacy's credit statements so that only actual charges are paid.

*Response of SCI Smithfield Management:*

*After learning of the deficiency, [representatives from SCI Smithfield] set up a meeting with Diamond Pharmacy to discuss a better reconciliation program. [The] Diamond Pharmacist reviewed the end of month credit reports with the SCI Smithfield medical staff during the quarterly pharmacy meeting on 9/16/09.*

*Also, after the audit a new computer program set up by Diamond Pharmacy has come into use. This program checks the medications received at SCI-Smithfield against the medications ordered and sent out from Diamond Pharmacy. When medications are received at SCI-Smithfield the pharmacy nurses scan the medications into the order reconciliation computer program set up by Diamond Pharmacy. This program verifies that the medications received at SCI-Smithfield matches the order placed by Smithfield and the list of medications sent from Diamond Pharmacy. So now through automation the medication orders are reconciled.*

*During each month Diamond Pharmacy sends emails containing lists of the medications sent and the price of each medication sent to the [Corrections Health Care Administrator]. Then at the end of each month Diamond Pharmacy sends the [Corrections Health Care Administrator] an email that contains the invoices for all the medications sent to SCI-Smithfield from the previous month. To reconcile these invoices the [Corrections Health Care Administrator] adds the totals from the lists of medications sent to SCI-Smithfield and makes sure this total matches the totals on the invoices.*

*The end of the month invoices sent by Diamond Pharmacy also have [a] total for the amount of credit received for the medication returns sent back from the SCI-Smithfield Pharmacy. Along with this invoice Diamond Pharmacy also includes a detailed list of what returns receive a credit and the amount of the credit. To reconcile the returns invoice the [Corrections Health Care Administrator] compares the list sent from*

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*Diamond Pharmacy with the list of returns prepared by the SCI-Smithfield Nursing Staff. Every couple of months the [Corrections Health Care Administrator] and the Nursing Supervisors send out an email to the nursing staff in the pharmacy to remind them of what returns should be made to Diamond Pharmacy. As stated in the auditor's report it was discovered that the nursing staff at SCI-Smithfield were returning a good bit of medications that did not receive a credit. These medications that do not receive a credit have to be destroyed by Diamond Pharmacy, when they could have been destroyed on site.*

**Prior Finding 9 – SCI Smithfield lacked documentation for the food waste disposal contract requirements and receipts were not posted correctly. (Resolved)**

Our prior audit of the food waste disposal contract found that SCI 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 prison. In addition, the testing of good receipts for the food waste disposal contract found that SCI Smithfield incorrectly posted services received for SCI Smithfield into SCI Huntingdon's goods receipts through the Integrated Enterprise System.

We recommended that SCI Smithfield's Business office ensure that receipts are posted to the correct prison in order to ensure that expenditures are accurate. In addition, we recommended that the purchasing department obtain documentation to support all contract requirements prior awarding the contract.

**Status**

The current audit revealed that SCI Smithfield partially complied with our prior audit recommendations. Our audit found that SCI Smithfield properly posted goods receipts in the Integrated Enterprise System for food waste disposal services for the period from September 1, 2008, through March 31, 2009. In addition, SCI Smithfield obtained clearances for the vendor's employee that entered the prison. Also, SCI Smithfield obtained evidence of a garbage feeding license as required by the contract.



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SCI Smithfield did not have proof of current insurance coverage in the vendor file. However, during the audit of the food waste contract, SCI Smithfield terminated the contract by mutual agreement with the vendor on April 30, 2009. The vendor for trash hauling will pick up food waste until SCI Smithfield implements its composting operations in the near future.

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