



Performance Audit

State Correctional Institution at Albion

**Commonwealth of Pennsylvania
Department of Corrections**

July 1, 2007, to April 19, 2010

August 22, 2011

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

Dear Governor Corbett:

This report contains the results of a performance audit of the State Correctional Institution at Albion of the Department of Corrections from July 1, 2007, to April 19, 2010. We conducted our audit under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

Our audit included seven objectives, which we describe in the report along with the audit scope and methodology for each objective. Where appropriate, we also include findings, conclusions, and recommendations. Findings include, for example, that the State Correctional Institution at Albion: sometimes paid inmates for hours that they did not work, did not have a progress review for some inmates, did not use warehouse inventory controls, and did not provide reliable documentary evidence that its fire emergency response team members received the required annual training during two of the fiscal years. Our three preceding audit reports also noted deficiencies in training for fire emergency response team members; by continuing to leave these deficiencies unresolved, the State Correctional Institution at Albion is endangering its staff and its inmates.

We discussed the contents of the report with management of the State Correctional Institution at Albion, whose comments are reflected in the report.

Sincerely,

JACK WAGNER
Auditor General

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

Page i

**Table of
Contents**

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

Table of Contents	Background Information	1
	Audit Objectives	3
	Audit Results	5
	Finding 1 – SCI Albion sometimes paid inmates for hours they did not work. In addition, SCI Albion did not maintain a progress review for some of the inmates.	7
	Finding 2 – SCI Albion properly monitored the service contracts we sampled.	11
	Finding 3 – SCI Albion processed and approved the expenditures we sampled in accordance with Commonwealth policy and consistent with the mission of the Department of Corrections.	13
	Finding 4 – SCI Albion effectively managed its automotive fleet and complied with Commonwealth policy.	16
	Finding 5 – SCI Albion did not comply with inventory policy and did not apply warehouse inventory controls.	19
	Finding 6 – SCI Albion complied with hiring guidelines for civil service employees.	25
	Finding 7 – SCI Albion awarded and processed employee pay incentives in accordance with contracts and/or policies.	28
Status of Prior Audits	29	
Audit Report Distribution List	33	

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

Background Information

*History, mission,
and operating
statistics*

Department of Corrections

The Pennsylvania General Assembly created the Bureau of Corrections under the authority of the former Department of Justice with the passage of Act 408 of 1953. Act 164 of 1980, known as the Commonwealth Attorneys Act, then transferred responsibility for the Bureau of Corrections from the Department of Justice to the Office of General Counsel under the Governor. On December 30, 1984, the Governor signed Act 245 of 1984 (71 P.S. § 310-1) 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.¹

The Department of Corrections is responsible for all adult offenders serving sentences of two years or more. As of January 31, 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.

State Correctional Institution at Albion

The State Correctional Institution at Albion, referred to as SCI Albion or the Institution throughout this report, was constructed in the mid-1990s as a 1,000-cell medium security institution to house adult male offenders.² It is located in Erie County, approximately one mile south of the town of Albion. SCI Albion encompasses about 290 acres of land³ with approximately 63 acres inside a perimeter fence. The physical plant

¹ http://www.portal.state.pa.us/portal/server.pt/community/departement_of_corrections/4604/our_mission/716263, verified July 25, 2011.

² <http://www.portal.state.pa.us/portal/server.pt?open=512&objID=5271&mode=2>, verified July 25, 2011.

³ www.portal.state.pa.us/portal/server.pt?open=512&objID=5271&mode=2, accessed April 19, 2010; verified January 31, 2011.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Background
Information**

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

includes ten housing units and a large multi-use building that contains food services, education services, a chapel, medical services, and correctional industries.

The following schedule presents select unaudited SCI Albion operating statistics compiled by the Department of Corrections for the fiscal years ended June 30, 2008, 2009, and 2010:

	Using rounding		
	2008	2009	2010
Operating expenditures⁴			
State	\$54,996,759	\$56,362,868	\$58,722,845
Federal	<u>18,989</u>	<u>13,076</u>	<u>7,617</u>
Total expenditures	<u><u>\$55,015,748</u></u>	<u><u>\$56,375,944</u></u>	<u><u>\$58,730,462</u></u>
Inmate population at year-end	2,306	2,377	2,224
Inmate capacity at year-end	1,900	1,900	1,900
Percentage of capacity at year-end	121.4%	125.1%	117.1%
Average monthly inmate population	2,312	2,372	2,337
Average cost per inmate per year ⁵	\$23,796	\$23,767	\$25,131

⁴ Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation.

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

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

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.

We selected seven audit objectives from the following general areas: inmate employment, contracts, general expenditures, automotive fleet management, warehouse inventory, hiring practices, and employee pay incentives. The specific audit objectives were as follows:

- One - To assess SCI Albion's compliance with Department of Corrections' policy and procedures pertaining to inmate employment and compensation. (Finding 1)
- Two - To assess the cost effectiveness and monitoring of SCI Albion's service contracts. (Finding 2)
- Three - To determine whether SCI Albion's expenditures were properly approved and appropriate for fulfilling the Department of Corrections' mission. (Finding 3)
- Four - To assess the adequacy of SCI Albion's management of its automotive fleet and to evaluate compliance with Department of Corrections' policies and procedures. (Finding 4)
- Five - To evaluate the adequacy of managerial controls for the warehouse inventory and to assess compliance with Department of Corrections' policy and procedures. (Finding 5)
- Six - To determine whether SCI Albion hired employees in compliance with Pennsylvania State Civil Service Commission and Governor's Office hiring policies and procedures. (Finding 6)

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit
Objectives**

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

Seven - To determine whether SCI Albion followed contractual requirements/policies in administering pay incentives for employees. (Finding 7)

In addition, we determined the status of the recommendations from the prior report.

The scope of the audit includes the period of July 1, 2007, to April 19, 2010, 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 SCI Albion management and staff. The Audit Results section of this report contains the specific inquiries, observations, tests, and analyses related to each audit objective.

Audit Results

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Jack Wagner, Auditor General
August 2011*

**Audit
Results**

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

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

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Inmate Employment**

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

**Audit Results
for
Objective
One**

The objective

Objective one for our performance audit was to assess SCI Albion's compliance with Department of Corrections' policy and procedures pertaining to inmate employment and compensation.

Scope of our audit work

*Inmate
Employment*

SCI Albion's inmate employment roster dated November 4, 2009, reported 2,917 inmate assignments for the pay periods from August 14, 2008, through November 4, 2009. We examined progress reports and October and November 2009 payroll records for a random sample of 77 of the inmates listed on the roster. We also reviewed the daily count logs for 37 separate days between January 1, 2008, and October 4, 2009.

Relevant laws, policies, or agreements

The Department of Corrections has established Policy Number DC-ADM 816 regarding inmate employment and compensation.⁶ The policy and associated procedures address the length of the working day or week, the classification of work assignments, pay rates, and the use of performance evaluations.

Inmates are compensated for participating in work and/or education programs. The compensation and the opportunities to advance are intended to provide the inmates with positive reinforcement so that, upon release, they will have learned work habits essential for reintegration.

During the fiscal years ended June 30, 2008 and 2009, SCI Albion expended approximately \$809,000 and \$800,000, respectively, for inmate compensation.

Methodologies to meet our objective

To establish our understanding of requirements for employing inmates, we reviewed the Department of Corrections' policy statements for inmate employment and compensation as referenced in the preceding summary of relevant laws, policies, or agreements.

⁶ Department of Corrections, Policy Number DC-ADM 816, "Inmate Compensation," May 5, 2008.

**Audit Results:
Inmate Employment**

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

We interviewed the director of inmate employment to establish our understanding of the implementation of the Department of Corrections' policies.

We selected a sample of the daily count logs for 37 separate days between January 1, 2008, and October 4, 2009, and then examined the corresponding payroll records of the 150 inmates for whom these logs documented temporary authorized absences.

Finally, we examined progress reports and October and November 2009 payroll records for 77 of the 2,917 inmates listed on SCI Albion's inmate employment roster dated November 4, 2009.

Finding 1

SCI Albion sometimes paid inmates for hours they did not work. In addition, SCI Albion did not maintain a progress review for some of the inmates.

We identified two non-compliance issues from our audit work of inmate employment. The first non-compliance issue involved payment for hours not worked. Department of Corrections' policy and procedures stipulate that the institution must pay inmate employees only for actual hours worked.

In our analysis of payroll records for the 150 inmates who were recorded as being on temporary authorized absence status on the 37 daily count logs, we found that four such inmates received pay even though they were away from the Institution and thus unable to report to work assignments. The failure of SCI Albion to enforce its work compensation policy means that some inmates received wages they did not earn.

SCI Albion management personnel attributed the four erroneous payments to clerical errors on time records.

On the other hand, for our October and November 2009 payroll testing of 77 randomly sampled inmates who were not on authorized absence status and who were thus able to be at work, we found that SCI Albion correctly compensated those 77 inmate employees.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Inmate Employment**

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

The second non-compliance issue involved the preparation of written evaluations. Department of Corrections' policy and procedures stipulate that the supervisor must prepare a written evaluation of each inmate employee 60 days after the first day on a work assignment.⁷

From our file review of the sampled 77 inmates, we determined that 27 inmates were supposed to have a 60-day progress review on file. However, the files of ten of the 27 inmates, or 37 percent, did not include the required 60-day progress report.

Management's failure to enforce policy and procedures regarding performance evaluations may reduce the rehabilitative effect of inmate employment. Communication regarding work performance is essential to the development of good work habits and proper work placement.

**Recommendations
for Finding 1**

1. SCI Albion should ensure that the Institution does not compensate inmate employees for time that they did not work.
2. SCI Albion management should take the necessary steps to enforce Department of Corrections' policy and procedures regarding inmate employment evaluations and compensation.

Response of SCI Albion Management:

Management agrees with the findings.

It is apparent that due to errors in processing that inmates have been paid when they have not worked. Furthermore, management also agrees that Inmate Progress Reviews were not always completed in a timely manner.

Management further agrees with the recommendations.

Specific to recommendation #[1] – The inmate employment department will regularly audit inmate pay and progress reviews. Findings will be reported to management for final review and appropriate action.

⁷ Department of Corrections, Policy Number DC-ADM 816, "Inmate Compensation," May 5, 2008.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

Page 9

**Audit Results:
Inmate Employment**

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

Specific to recommendation #[2] – Management sent a clarification memo out to all staff concerning DC-ADM 816, staff responsibilities and appropriate inmate compensation.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Service Contracts**

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

**Audit Results
for
Objective
Two**

The objective

Objective two for our performance audit was to assess the cost effectiveness and monitoring of SCI Albion's service contracts.

Scope of our audit work

Service Contracts

We selected 12 of 59 contracts (a 20 percent sample) in effect between July 1, 2007, and December 31, 2009, for testing of the implementation of Commonwealth requirements.

Relevant laws, policies, or agreements

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 necessary expertise. Contracted services include but are not limited to religious services, equipment services and maintenance, and waste removal services.

Through the use of a procurement manual, the Commonwealth has established policies for the procurement of services.⁸ The manual addresses the monetary thresholds and procedures for formal bids, as well as contract payment methods and requirements.

The Department of Corrections also has established specific policies for fiscal administration and contract compliance.⁹ SCI Albion's management is responsible for effectively monitoring contracted services performed at the Institution.

Methodologies to meet our objective

To establish our understanding of the policies and procedures for monitoring and control of service contracts, we reviewed the Commonwealth's procurement manual, as well as the Department of Corrections' policies regarding service contracts and contract compliance

⁸ www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304, accessed March 10, 2010; verified June 8, 2011.

⁹ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," issued November 13, 2007, and revised January 27, 2009; Department of Corrections, Policy Number 1.6.3, "Contract Compliance," August 21, 2007.

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

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

We also interviewed a purchasing agent to establish our understanding of the implementation of the Commonwealth's requirements.

Finally, after reviewing SCI Albion's detailed list of 59 service purchase contracts in effect between July 1, 2007, and December 31, 2009, we used our professional judgment to select a sample of 12 of the contracts, or 20 percent, to review the terms, bid documentation, invoices, and payments.

Finding 2

SCI Albion properly monitored the service contracts we sampled.

Based on our analysis, we found that SCI Albion bid/awarded the 12 sampled contracts in accordance with the requirements of Commonwealth and Department of Corrections' procurement policies and procedures. Moreover, we found that the sampled service contracts did not duplicate, overlap, or conflict with SCI Albion's efforts to provide similar or related goods and services. Finally, we found that SCI Albion ensured compliance with the terms of agreement and verified the receipt and accuracy of vendor invoices prior to approval for payment.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
General
Expenditures**

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

**Audit Results
for
Objective
Three**

The objective

Objective three for our performance audit was to determine whether SCI Albion's expenditures were properly approved and appropriate for fulfilling the Department of Corrections' mission.

Scope of our audit work

*General
Expenditures*

During the fiscal year ended June 30, 2008, SCI Albion expended approximately \$55.3 million for operational expenses and capital items, including about \$40.0 million for employee salaries and benefits. We examined the remaining \$15.3 million of non-payroll expense transactions.

During the fiscal year ended June 30, 2009, SCI Albion expended approximately \$56.6 million for operational expenses and capital items, including about \$41.1 million for salaries and benefits. We examined the remaining \$15.5 million of non-payroll expense transactions.

For both years combined, we used our professional judgment to select a total sample of 300 transactions.

Relevant laws, policies, or agreements

As we previously noted, the mission of the Department of Corrections is "to protect the public by confining persons committed to [the Department of Corrections'] 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."¹⁰ To assist in accomplishing that mission, SCI Albion provides various maintenance, nursing, chaplaincy, education, counseling, and administrative services.

Also as previously noted, the Commonwealth has developed a procurement manual with policies for the procurement of goods and services.¹¹

¹⁰ http://www.portal.state.pa.us/portal/server.pt/community/department_of_corrections/4604/our_mission/716263, verified July 25, 2011.

¹¹ www.portal.state.pa.us/portal/server.pt/community/procurement_handbook/14304, accessed March 10, 2010; verified June 8, 2011.

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

**Audit Results:
General
Expenditures**

Methodologies to meet our objective

To establish our understanding of the procurement process, we reviewed the Commonwealth's procurement handbook as referenced in the preceding summary of relevant laws, policies, or agreements.

We interviewed an SCI Albion budget analyst to establish our understanding of the implementation of the Commonwealth's requirements.

We also reviewed SCI Albion's summary of expenditures for the fiscal years ended June 30, 2008, and June 30, 2009.

Finally, we examined the supporting documentation for 300 non-payroll expenditure transactions processed during the fiscal years ended June 30, 2008 and 2009. We used our professional judgment to select the 300 transactions.

Finding 3

SCI Albion processed and approved the expenditures we sampled in accordance with Commonwealth policy and consistent with the mission of the Department of Corrections.

The table that follows summarizes SCI Albion's expenditures for the fiscal years ended June 30, 2008 and 2009. We designated the expenditures net of salary and benefits to be significant to this objective and thus subject to more detailed review.

Operating expenditures (rounded in millions)

<i>Fiscal year ended June 30</i>	2008	2009
Payroll expenditures	\$40.0	\$41.1
Significant expenditures	<u>15.3</u>	<u>15.5</u>
Total expenditures	<u>\$55.3</u>	<u>\$56.6</u>

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
General
Expenditures**

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

Our work consisted of reviewing the supporting documentation for 93 transactions from 30 different vendors chosen from the fiscal year ended June 30, 2008, and for 207 transactions from 36 different vendors chosen from the fiscal year ended June 30, 2009. The sampled expenditures totaled approximately \$3.0 million for the fiscal year ended June 30, 2008, and \$2.2 million for the fiscal year ended June 30, 2009. The sample included expenditures for chaplaincy, services for deaf inmates, fire system testing and repairs, dietary equipment, repairs to Institution boilers, and library materials.

Over the course of our test work, we saw no discrepancies for the sampled transactions. Specifically, we found that the transactions were properly approved by management, were necessary for operations, and were consistent with the Department of Corrections' mission.

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

**Audit Results
for
Objective
Four**

The objective

Our fourth objective for this audit was to assess the adequacy of SCI Albion's management of its automotive fleet and to evaluate compliance with Department of Corrections' policies and procedures.

Scope of our audit work

Automotive Fleet

SCI Albion owned/leased and operated 35 licensed motor vehicles during the audit period, including those for maintenance, security, and business travel. For our review, we selected travel-related documents from the period of January 1, 2008, through June 30, 2009.

Relevant laws, policies, or agreements

The Department of Corrections has established policies and procedures to govern the assignment and use of institution vehicles,¹² and policies for security.¹³ The policies restrict Commonwealth vehicle usage to official business and limit reimbursements for the use of personal vehicles. The policies also address general operational procedures, including those regarding the documentation of vehicle mileage.¹⁴

SCI Albion's maintenance department was responsible for the maintenance and repair of all 35 vehicles in the Institution's fleet, while the major of the guard was responsible for the scheduling and disbursement of the Institution's seven central pool vehicles.

Methodologies to meet our objective

To establish our understanding of motor 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.

¹² Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," issued November 13, 2007, and revised January 27, 2009.

¹³ Department of Corrections, Policy Number 6.3.1, "Facility Security," issued April 13, 2006, and revised May 2008.

¹⁴ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," issued November 13, 2007, and revised January 27, 2009.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Automotive Fleet**

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

We interviewed an automotive mechanic trade instructor and the major of the guard to establish our understanding of the implementation of the Commonwealth's requirements.

We examined SCI Albion's list of vehicle assignments as of September 14, 2009, to establish the population of automotive vehicles.

We examined the inspection stickers on all 35 vehicles in SCI Albion's fleet.

We reviewed SCI Albion's monthly automotive activity reports for the fiscal year ended June 30, 2009.

Finally, we reviewed the travel request forms, travel expense statements, vehicle reservation schedules, and expenditure ledger entries associated with all 41 personal mileage reimbursements between January 1, 2008, and June 30, 2009.

Finding 4

SCI Albion effectively managed its automotive fleet and complied with Commonwealth policy.

SCI Albion owned/leased and operated 35 licensed motor vehicles during our audit period, including those for maintenance, security, and business travel. The Institution's automotive fleet consisted of seven central pool vehicles and 28 vehicles assigned to various departments. According to SCI Albion's internal reports, the Institution spent \$71,700 on maintenance, repair, and fuel for the 35 vehicles during the fiscal year ended June 30, 2009.

We verified that all of SCI Albion's vehicles possessed current state inspection stickers. Our analysis of monthly activity reports indicated that SCI Albion's seven central pool vehicles and 12 security transport vehicles were driven an average of approximately 18,000 and 15,700 miles, respectively, during the fiscal year ended June 30, 2009. These average mileages compared favorably to the U. S. Energy Information

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

Page 17

**Audit Results:
Automotive Fleet**

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

Administration's report that mileage for all types of motor vehicles in the United States averaged 11,619 for the 2008 calendar year.¹⁵

In addition, our review of documentation associated with personal mileage reimbursements showed that SCI Albion enforced Department of Corrections' policy designed to minimize personal mileage reimbursements. Specifically, in the 41 cases for which SCI Albion reimbursed employees for using their personal vehicles between January 1, 2008, and June 30, 2009, for a total of approximately \$8,300, we found that management approved such requests for reimbursement only when central pool vehicles were not available. We also found that SCI Albion's major of the guard scheduled fleet vehicle usage only for official business.

¹⁵ The site for this information, <http://tonto.eia.doe.gov/FTPROOT/multifuel/mer/00350901.pdf>, was originally accessed February 26, 2010. However, that site no longer existed as this report was being written. Instead, the information was found at <http://www.eia.gov/totalenergy/data/annual/txt/ptb0208.html>, which we verified on June 8, 2011.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Warehouse
Inventory**

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

**Audit Results
for
Objective
Five**

The objective

Objective five for this performance audit was to evaluate the adequacy of managerial controls for the warehouse inventory and to assess compliance with Department of Corrections' policy and procedures.

Scope of our audit work

*Warehouse
Inventory*

We examined evidence for inventories at SCI Albion that were conducted between July 1, 2007, and June 30, 2009. We also conducted an inventory of 93 of 497 warehouse items between October 8, 2009, and October 20, 2009, for testing of the implementation of Department of Corrections' requirements.

Relevant laws, policies, or agreements

State facilities must maintain an inventory of items necessary for the day-to-day operations of the institution. SCI Albion maintained inventory records for 497 items in its warehouse as of October 1, 2009. These inventoried items included the following items: frozen food, canned food, dry food, paper products, housekeeping supplies, office supplies, and inmate apparel. As of October 1, 2009, SCI Albion valued this inventory at approximately \$1.06 million.

The Department of Corrections has established policy and procedures for inventory management. These policies require institutions to conduct annual physical inventories for warehouses.¹⁶ The institution's management is responsible for safeguarding, controlling, and effectively managing the warehouse inventory.

Methodologies to meet our objective

To establish our understanding of the warehouse inventory process, we reviewed the Department of Corrections' policy as referenced in the above summary of relevant laws, policies, or agreements.

¹⁶ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," issued November 13, 2007, and revised January 27, 2009.

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

We interviewed the warehouse supervisor to establish our understanding of the implementation of the Commonwealth's requirements.

We analyzed the count sheets for the seven partial physical inventories conducted between July 1, 2007, and June 30, 2009.

For a random sample of 93 of 497 warehouse items, we compared the perpetual inventory records to physical counts performed by the audit team between October 8, 2009, and October 20, 2009.

Finally, we reviewed the record of monthly receipts and issues for the above sample of 93 inventory items from October 2008 through September 2009.

Finding 5

SCI Albion did not comply with inventory policy and did not apply warehouse inventory controls.

Annual physical inventory not performed/documented. The Department of Corrections' fiscal administration policy states as follows:

Physical inventories shall be conducted...at least annually for warehouses.¹⁷

SCI Albion did not conduct an annual physical inventory for the fiscal year ended June 30, 2009. Although SCI Albion personnel indicated that the Institution did conduct an annual physical inventory in June 2008, SCI Albion did not provide documentation to substantiate this assertion.

Partial inventories conducted; discrepancies not investigated. SCI Albion warehouse personnel who had routine access to the warehouse inventory conducted seven partial physical inventory counts between July 1, 2007, and June 30, 2009. These partial inventories included three counts of frozen foods, three counts of non-perishable foods, and one count of inmate apparel. The documentation from four of these seven

¹⁷ Department of Corrections, Policy Number 3.1.1, "Fiscal Administration," issued November 13, 2007, and revised January 27, 2009.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Warehouse
Inventory**

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

partial inventories showed that 54 percent of the individual counts differed from the corresponding perpetual inventory records, as follows:

Date of Partial Inventory	Category of Items	Counted Items	Count Exceeded Record	Record Exceeded Count	Percentage Count Difference	Net Dollar Difference
12/06/07	Frozen Foods	57	13	27	70%	\$(15,384)
04/24/08	Frozen Foods	58	12	27	67%	(5,575)
05/05/08	Non-perishable Foods	<u>153</u>	<u>26</u>	<u>42</u>	<u>44%</u>	<u>(9,419)</u>
	Net Shortage	<u>268</u>	<u>51</u>	<u>96</u>	<u>55%</u>	<u>\$(30,378)</u>
05/06/08	Inmate Apparel	<u>85</u>	<u>25</u>	<u>19</u>	<u>52%</u>	<u>\$ 52,953</u>
	Net Overage	<u>85</u>	<u>25</u>	<u>19</u>	<u>52%</u>	<u>\$ 52,953</u>
Total	Combined Results	<u>353</u>	<u>76</u>	<u>115</u>	<u>54%</u>	<u>\$ 22,575</u>

Regarding the above \$52,953 overage in inmate apparel, warehouse personnel attributed that overage to the inclusion of used clothing in the count of new inventory. However, SCI Albion personnel could not explain or provide evidence regarding the significant variances between the other above-noted counts and the perpetual inventory records, including the \$30,378 shortage in food items.

Inventory transfers not posted to the perpetual inventory records.

Our review of SCI Albion's perpetual inventory records also showed that inventory transfers were not recorded. For example, the perpetual inventory listing incorrectly indicated that SCI Albion stored gold coveralls (used exclusively for inmate transport) in the warehouse. Although warehouse personnel claimed that these coveralls had previously been transferred to the inmate intake area for storage, SCI Albion had no documentation regarding the authorization for such a transfer.

Warehouse personnel made the corresponding \$5,280 adjustment to the warehouse inventory records after the audit team informed SCI Albion of the discrepancies.

Other shortages found during testing. Our count of 93 sampled items controlled by the warehouse between October 8, 2009, and October 20, 2009, disclosed differences from the recorded balance on hand for 33

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

items, a discrepancy rate of 35 percent. These shortages overstated the value of the warehouse inventory by \$7,535.

According to SCI Albion management, the variances between the perpetual inventory records and the Institution's partial physical inventories and the audit team's counts occurred, in part, because departments within SCI Albion inconsistently placed orders electronically. When electronic stock transfer orders were not used, the perpetual inventory system did not reduce the balances on hand. SCI Albion personnel did not manually enter the balance adjustments associated with the non-electronic stock transfer orders.

Our conclusion

Overall, we concluded that SCI Albion did not comply with Department of Corrections' policy to conduct annual physical inventories. At the same time, we found that partial physical inventories were conducted by personnel who were not independent of the warehouse function. The failure to separate custodial responsibilities and inventory count responsibilities increases the potential for fraud, waste, or errors to go undetected by management.

We also concluded that SCI Albion did not accurately maintain its inventory records and did not safeguard its inventory items. Inventory variances were identified by warehouse personnel, but the variances were not always investigated. The failure to accurately account for warehouse items could lead to unnecessary purchases, overstocked items, or shortages of critical items. Furthermore, inaccurate records could also allow abuse and theft to go unnoticed.

Recommendations for Finding 5

3. SCI Albion should implement and enforce internal control policies and procedures to ensure that its warehouse records are accurately maintained.
4. SCI Albion should train its employees in, and enforce the use of, electronic stock transfer orders.
5. SCI Albion's business office personnel should conduct annual physical inventories and monthly spot checks of warehouse stock items.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Warehouse
Inventory**

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

6. SCI Albion should investigate variances between counts and inventory records and then make any necessary adjustments to the inventory records.

Response of SCI Albion Management:

Management agrees that SCI-[Albion] was unable to provide the Audit team with the traditional paper inventories at the time of the audit. However, SCI-Albion did conduct complete inventories in all fiscal years audited. The paper documents subsequently located combined with SAP reporting (MI24 w/MI09 or MB31) will verify these audits.

Management agrees with all other points and findings. Management agrees with all recommendations.

Specific to recommendation #3: Control procedures have been reviewed and reiterated.

Specific to recommendation #4: Training and direction of STO usage has been provided.

Specific to recommendation #5: SCI-Albion will continue to conduct physical inventories annually and spot checks on a periodic basis. Paper documentation will be maintained appropriately for audit review.

Specific to recommendation #6: Variances have been investigated and necessary adjustments have been made.

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

**Audit Results
for
Objective Six**

The objective

Objective six for this performance audit was to determine whether SCI Albion hired employees in compliance with Pennsylvania State Civil Service Commission and Governor's Office hiring policies and procedures.

Hiring Practices

Scope of our audit work

We reviewed the files for 79 civil service employees hired by SCI Albion between January 1, 2008, and August 18, 2009.

Relevant laws, policies, or agreements

The Civil Service Act provides for the "establishment of conditions of service, which will attract to the service of the Commonwealth qualified persons of character and ability and their appointment and promotion on the basis of merit and fitness..."¹⁸ The Pennsylvania State Civil Service Commission has prescribed policies and procedures for the recruitment, eligibility assessment, interview, and selection of candidates for positions classified as civil service.¹⁹ The Governor's Office of the Commonwealth of Pennsylvania has also issued a management directive regarding the use of veterans' preference for classified service employment.²⁰

The Civil Service Commission provides information to potential applicants, recruits, and tests applicants, and then sends lists of qualified applicants to agencies seeking to fill jobs. The Civil Service Commission ranks qualified applicants for specific job classifications based on the scores for written or oral examinations, demonstrations of skill, evaluations of experience and education, or a combination of these. If a vacant position is filled from an employment list, the agency must select a person who is among the three highest-ranking available persons.²¹ If one of those persons is a veteran, the veteran receives hiring preference in

¹⁸ Act of August 5, 1941, P.L. 752, as amended.

¹⁹ Commonwealth of Pennsylvania Governor's Office, Manual Number 580.1, "Certification of Eligibles for the Classified Service," April 7, 1997.

²⁰ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 580.21, "Veterans' Preference on Classified Service Employment Lists," March 6, 2006, and amended May 5, 2008.

²¹ Commonwealth of Pennsylvania Governor's Office, Manual Number 580.1, "Certification of Eligibles for the Classified Service," April 7, 1997.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Hiring Practices**

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

accordance with the Rule-of-Three requirement. Section 5b of the Commonwealth's management directive regarding the use of veterans' preference for employment states as follows:

Eligible veterans, spouses of disabled veterans, and widows or widowers of veterans:

- 1. Receive 10 additional points on their final earned ratings, provided they pass the examination.*
- 2. Have mandatory appointment preference over non-veterans when their names appear together within the Rule-of-Three on certifications covered by this policy.*
- 3. May be given preference for selection from certifications covered by this policy regardless of their rank on the list.²²*

Methodologies to meet our objective

To establish our understanding of hiring practices, we reviewed applicable Commonwealth law, policies, and procedures as referenced in the preceding summary of relevant laws, policies, or agreements.

We interviewed a human resources officer to establish our understanding of the implementation of the Commonwealth's requirements.

We analyzed the documentation associated with SCI Albion's hiring of 79 civil service employees between January 1, 2008, and August 18, 2009.

²² Commonwealth of Pennsylvania Governor's Office, Management Directive Number 580.21, "Veterans' Preference on Classified Service Employment Lists," May 5, 2008.

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

Finding 6

SCI Albion complied with hiring guidelines for civil service employees.

SCI Albion hired 79 civil service employees between January 1, 2008, and August 18, 2009. In looking at these hires, we found that SCI Albion interviewed candidates and properly applied the Rule-of-Three and veterans' preference in its hiring of 44 veterans and 35 non-veterans for corrections officer, plumbing trades instructor, dentist, registered nurse, and licensed practical nurse positions. We concluded that SCI Albion gave veterans preference for appointments regardless of the candidate's rank on the relevant employment lists.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Pay Incentives**

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

**Audit Results
for
Objective
Seven**

The objective

Objective seven for our performance audit was to determine whether SCI Albion followed contractual requirements/policies in administering pay incentives for employees.

Pay Incentives

Scope of our audit work

We selected expenditure and payroll reports and documentation that detailed incentive payments from July 1, 2007, to September 4, 2009, for testing of the implementation of Commonwealth requirements.

Relevant laws, policies, or agreements

The Commonwealth has developed certain programs, monetary incentives, and union contract terms to attract, retain, and reward medical and dental professionals. The agreement between the Commonwealth and the Pennsylvania Doctors Alliance, effective July 1, 2005, through June 30, 2009, provides for a quality assurance program that awards monetary incentives to medical and dental professionals based on their years of service with the Commonwealth. The awards range from \$5,000 for one year of service to \$16,000 for twelve or more years of service.²³ The Commonwealth has also developed policy for the quality assurance program.²⁴

In addition, the agreement between the Commonwealth and the Service Employees International Union, effective from July, 1, 2007, through June 30, 2011, provides for a \$200 payment in each contract year to Commonwealth nurses who attain one or more of the certifications specified in the contract.²⁵

Separate agreements between the Commonwealth and several different unions, effective July 1, 2007, to June 30, 2011, provided each permanent

²³ Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, July 1, 2005, through June 30, 2009.

²⁴ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 525.16, "Physicians and Related Occupations Quality Assurance Program," February 14, 2006.

²⁵ Agreement between Commonwealth of Pennsylvania and The Service Employees International Union District 1199P, CTW, CLC, July 1, 2007, to June 30, 2011.

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

full-time or part-time employee in active pay status on July 1, 2007, a one-time lump sum payment of \$1,250 or \$625, respectively.²⁶

Finally, the Executive Board of the Office of Administration issued a resolution that extended the \$1,250 lump sum payment to select corrections management employees. This resolution also provided a \$1,600 retention payment to the same group of permanent full-time managers who were in active pay status on January 26, 2008, “to aid in the retention of managers in the Department of Corrections during a period of rapid increase in inmate population and expansion in facilities.”²⁷

Methodologies to meet our objective

To establish our understanding of the requirements for use of pay incentives for employees, we reviewed the union agreements and Commonwealth policies and procedures as referenced in the above summary of relevant laws, policies, or agreements.

We interviewed a human resource officer and a human resource analyst to establish our understanding of the implementation of the Commonwealth’s requirements.

We examined the expenditure and payroll reports that detailed incentive payments from July 1, 2007, to September 4, 2009.

We also examined the certification and employment documentation associated with the nurse certification and quality assurance payments between July 1, 2007, and September 4, 2009.

²⁶ Master Agreement between Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and the Correctional Institution Vocational Education Association, Pennsylvania State Education Association, National Education Association, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and The Service Employees International Union, District 1199P, CTW, CLC, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and PSSU, Local 668 SEIU, Pennsylvania Social Services Union, July 1, 2007, to June 30, 2011; Memorandum of Understanding between Commonwealth of Pennsylvania and OPEIU Healthcare Pennsylvania, Local 112, July 1, 2007, to June 30, 2011; Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, July 1, 2005, through June 30, 2009.

²⁷ Office of Administration, Executive Board Resolution CN-07-170, June 25, 2007.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Pay Incentives**

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

Finally, we reviewed the December 28, 2007, and December 26, 2008, employee complement reports to verify the accuracy of the \$1,250 lump sum and the \$1,600 retention payments for the fiscal year ended June 30, 2008.

Finding 7

SCI Albion awarded and processed employee pay incentives in accordance with contracts and/or policies.

From July 1, 2007, to September 4, 2009, SCI Albion paid \$400 in certification payments to one nurse and \$17,051 in quality assurance payments to three dentists. The payments were made in accordance with the terms of the relevant contractual agreements and the Governor's management directive for quality assurance payments.

During the same time period, SCI Albion paid \$220,625 in one-time lump sum payments to 175 permanent full-time employees and three permanent part-time employees in active pay status on July 1, 2007. Also, SCI Albion paid \$67,200 for the aforementioned \$1,600 retention payments to 42 management employees in active pay status on January 26, 2008. These payments were also made in accordance with the terms of the relevant contractual agreements and the Office of Administration's resolution.

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

Status of Prior Audits

Our prior audit report of SCI Albion covered the period of July 1, 2005, to October 26, 2007, and contained five findings, all of which were positive. The report also discussed an unresolved prior finding, which remains unresolved as we discuss below.

Prior Finding IV-1

[SCI] Albion still did not provide the required training to fire emergency response team members. (Unresolved)

For the prior audit period of July 1, 2005, to October 26, 2007, we reported the following:

[SCI Albion] conducted fire evacuation drills at least once per quarter and rotated the drills over all shifts in its ten housing units during the fiscal year ended June 30, 2007. However, during the same fiscal year, Albion management did not provide the required 16 hours of fire safety training to any of its 26 FERT [fire emergency response team] members. Only one FERT member received greater than 12 hours of training, while two members did not receive any training hours.²⁸

Status as of this current audit. Department of Corrections' policy requires each institution to provide its fire emergency response team members with 16 hours of fire safety training annually.²⁹

To follow up on the fire safety deficiencies noted in our prior report, we interviewed SCI Albion's deputy superintendent of facilities management, the safety manager, and human resource personnel. We also reviewed the Department of Corrections' policies and procedures regarding staff development and training,³⁰ safety,³¹ and fire emergency response teams.³² Finally, we examined six of nine attendance rosters for fire emergency response team training purportedly conducted between July 1, 2007, and

²⁸ Pennsylvania Department of the Auditor General, *Commonwealth of Pennsylvania, Department of Corrections, State Correctional Institution at Albion, July 1, 2005, to October 26, 2007*, p. 14, "Status of Prior Audit Findings and Recommendations."

²⁹ Department of Corrections, Policy Number 5.1.1, "Staff Development and Training," December 15, 2003, and revised August 2009.

³⁰ Ibid.

³¹ Department of Corrections, Policy Number 15.1.1, "Safety," July 16, 2003.

³² Department of Corrections, Policy Number 6.7.2, "Special Response Teams," April 12, 2004.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Status of Prior
Audits**

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

June 30, 2009, as well as employee time and attendance records associated with attendees listed on the six rosters.

During our current audit, we found that SCI Albion could not provide us with reliable documentary evidence that fire emergency response team members received the required annual training during the fiscal years ended June 30, 2008, and June 30, 2009. Even though SCI Albion management did provide us with attendance rosters for nine fire emergency response team training sessions purportedly conducted between July 1, 2007, and June 30, 2009, we found that the rosters were unreliable. In particular, when we compared six of the nine training rosters to employee time and attendance reports, we discovered that 47 of the 126 listed participants, or 37.3 percent of the participants, were not physically present at SCI Albion at the reported times of the training sessions. Furthermore, according to SCI Albion management, one of the training sessions documented on one of the six rosters did not occur at all.

As a result of this unreliable documentation, we could not sufficiently determine the status of the prior unresolved finding and will thus review SCI Albion's fire emergency response training during our next audit.

Additional history. We reported similar findings in earlier audit reports. Specifically, not only did we report on such problems for the fiscal year ended June 30, 2007, as already described, but we also reported on such problems for the fiscal year ending June 30, 2002, and for the calendar year ended 2004.

From our audit report for the period of July 1, 1999, to August 23, 2002:

Although the fire safety program utilizes various effective practices, the program should be strengthened to enhance the protection of the institution's inmates, staff, and physical plant. The institution did not conduct all required fire drills in its 22 buildings during the period January 2001 through June 2002. Moreover, the institution did not provide required fire safety training to all fire emergency

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

Page 31

**Audit Results:
Status of Prior
Audits**

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

*response team members during the training year ended on
June 30, 2002.³³*

From our audit report for the period of July 1, 2002, to July 13, 2005:

*The current audit disclosed that the institution did not
correct the deficiencies regarding fire drills and fire
emergency response team training as more fully explained
in Chapter IV of the current report.³⁴*

*The review of fire drill documentation and training records
for 2004 disclosed that Albion did not correct the fire safety
program weaknesses noted in the prior report.³⁵*

In all cases, we recommended that SCI Albion management enforce Department of Corrections' training guidelines to ensure that members receive the required annual training. Management officials said that they were or would become compliant.

Again, during our current audit for the period of July 1, 2007, to April 19, 2010, SCI Albion's unreliable documentation precluded us from sufficiently determining the status of the Institution's fire emergency response training as it existed during that period. Thus, we will review this important area once again during our next audit. Such a review is critical because members of SCI Albion's fire emergency response team *must* be trained in firefighting, smoke control, and rescue techniques in order to reduce the risk of injury to inmates and staff during fire emergencies.

³³ Pennsylvania Department of the Auditor General, *Performance Audit of the Commonwealth of Pennsylvania, Department of Corrections, State Correctional Institution at Albion, August 23, 2002*, pp. 25-26, "Chapter V – Fire Safety."

³⁴ Pennsylvania Department of the Auditor General, *Commonwealth of Pennsylvania, Department of Corrections, State Correctional Institution at Albion, July 1, 2002, to July 13, 2005, Performance Audit*, p. 20, "Status of Prior Audit Findings and Recommendations."

³⁵ *Ibid.*, p. 17, "Chapter IV – Fire Safety," Finding IV-1.

**A Performance Audit of the
State Correctional Institution at Albion
Audit Period: July 1, 2007, to April 19, 2010**

**Audit Results:
Status of Prior
Audits**

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

-
- Recommendations**
7. SCI Albion must enforce Department of Corrections' training policy to ensure that fire emergency response team members receive the required annual training.
 8. SCI Albion must ensure that its training records are accurate and reliable.

Response of SCI Albion Management:

None included in the response to current audit findings.

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Jack Wagner, Auditor General
August 2011*

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