

Internal Audit Report

**DEPARTMENT OF CORRECTIONS
CASH ACCOUNTS AUDIT
MARCH 2014**

Office of the County Auditor





OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA
County Auditor

March 2014

The Honorable Members of the County Council
The Honorable Ken Ulman, County Executive
Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we have conducted a review of selected activities of the Department of Corrections, Cash Accounts. The body of our report presents our findings and recommendations.

Our audit disclosed that the internal controls over cash were adequate and that the cash on hand and all transactions that we tested agreed with supporting documentation. However, we found that there were several occurrences of non-compliance with internal controls. Our findings have been reviewed with the Chief Administrative Officer and we have included the Administration's responses. We wish to express our gratitude to the Department of Corrections for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in black ink, appearing to read "Craig Glendenning".

Craig Glendenning, CPA
County Auditor

INTRODUCTION AND SCOPE

The County Auditor's Office performed an audit of the cash accounts at the Department of Corrections. We reviewed the activity in these accounts for three months that occurred during Fiscal Year 2013, specifically December 2012, April 2013 and June 2013. The purpose of our audit was to determine if (1) the internal controls over the recording and safekeeping of cash are adequate, in place and functioning as designed, (2) the amount of cash on hand agrees with the supporting documentation, and (3) the transactions affecting inmate accounts are supported by documentation. We also determined if the Department of Corrections is turning over abandoned property to the State in accordance with State law.

BACKGROUND

Each year, the County Council passes a resolution approving the collection of fees by the Department of Corrections. Revenues received from fees during Fiscal Year 2013 were \$72,900.

In addition to the fees, when an inmate arrives at the Howard County Detention Center, any monies received from the inmate are collected and deposited in a bank account, called the "inmate account." An account is set up for each inmate (not a separate bank account) and the amount received from the inmate is credited to his or her account. These funds are mainly used by inmates to pay for items from the approved commissary vendor. At June 30, 2013, the inmate account had a bank balance of \$84,165.

The Courts sentence some offenders to serve weekends at the Detention Center. The weekend inmates pay \$25 per day for lodging. Fiscal Year 2013 revenue from weekend prisoners was \$41,200.

Some inmates are authorized to participate in a work release program. These inmates pay \$15 per day, or \$105 per week, for housing while they are enrolled in the program. The work release inmates turn over their paychecks to the Detention Center and the paychecks are deposited in the work release account. Subsequently, two checks are prepared. One check is deposited in a County account for the amount of lodging received for the week, and another check for the remaining balance is deposited in the inmate account, and the inmate's individual account is credited. Fiscal Year 2013 revenue from the work release program was \$29,025.

If a medical visit does not meet the fee exemption criteria established by the Department

of Corrections, inmates are charged a fee of \$4 per medical visit. Fiscal Year 2013 revenue for medical services was \$2,675.

If an inmate has a balance in his or her account at the time of release, the inmate is paid up to a maximum of \$20 in cash and the balance in a check. There is a Cash Funds Box maintained with \$2,000 for this purpose. These funds are also used as petty cash for minor purchases. At the time of our audit, there were plans to issue debit cards to inmates upon their release.

According to Title 17, Subtitle 3 of the Commercial Law Article of the Annotated Code of Maryland, all abandoned property is required to be turned over to the State after three years. A report for the period from July 1 to June 30 of the prior year must be filed by the end of October.

FINDINGS AND RECOMMENDATIONS

Although we noted two minor cases in which written policies require updating, we determined that internal controls over the recording and safekeeping of cash were adequate and in place. Additionally, the amount of cash on hand and all transactions we tested that affect inmate accounts agreed with the supporting documentation. We also determined that the Department of Corrections is turning over abandoned property to the State in accordance with State law. However, our audit did disclose the following:

1. There were eight cases in the three months we reviewed where deposit slips for either weekender inmates (two cases) or work release inmates (six cases) were signed but not verified by Department of Corrections' personnel. A verification signature is required according to departmental policy and provides assurance as to the correctness of the deposit.

We recommend that the Department of Corrections work to ensure that all bank deposit slips are both signed and verified.

Administration's Response

The Administration concurs with this recommendation. The procedure for preparing bank deposits has been reviewed with appropriate staff. The staff has been reminded to provide their verification signature on each deposit slip and we will make certain that this requirement is followed.

2. In our review of fourteen work release logs, we found 12 cases on five different logs where a check that was received was not entered into the log. This step is required according to departmental policy and provides assurance that the funds are properly collected.

We recommend that the Department of Corrections work to ensure that all checks are entered into the work release logs on a weekly basis.

Administration's Response

The Administration concurs with this recommendation. Corrective measures will be taken to include notifying Shift Supervisors when checks have not been correctly entered on the Payroll Log. Shift Supervisors have been advised to closely monitor compliance.

AUDIT TEAM

Stephen E. Peters, Jr., CPA
Audit Manager

S. Ali Shirazie, CPA
Senior Auditor