DEPARTMENT OF CORRECTIONS

VIRGINIA PAROLE BOARD

VIRGINIA CORRECTIONAL ENTERPRISES

REPORT ON AUDIT

FOR THE YEAR ENDED

JUNE 30, 2010

Auditor of
Public Accounts
COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Department of Corrections, the Virginia Parole Board, and Virginia Correctional Enterprises for the year ended June 30, 2010, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;

- matters involving internal control and its operations necessary to bring to management's attention;

- instances of noncompliance with applicable laws and regulations required to be reported; and

- inadequate implementation of corrective action with respect to the following prior audit findings:

    - Improve Procedures for Monitoring Vehicle and Fuel Card Use

    - Improve Procedures for Tracking Vehicle Inventory.

The report includes a section for the Department of Corrections, which includes the Virginia Parole Board, and a section for Virginia Correctional Enterprises.

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DEPARTMENT OF CORRECTIONS

AUDIT FINDINGS AND RECOMMENDATIONS

Strengthen Controls Over Commuting Payroll Deductions

The Department of Corrections (Corrections) uses inappropriate mileage reimbursement rates to calculate employees' payroll deductions for commuting in state vehicles and under recovered approximately $65,000 from 62 employees during fiscal year 2010. Some state employees have a permanently assigned state-owned vehicle for use in their job. When the employee uses this vehicle to commute between home and work, they must reimburse the Commonwealth for the use of the vehicle for commuting. If the employee does not reimburse the Commonwealth, the personal use of the vehicle is a taxable benefit.

Corrections' General Services Unit manages all agency vehicles, including overseeing the calculations and deductions of employee commuting fees. Within the General Services Unit, the Commuting Coordinator calculates the appropriate fees to deduct from each commuter's pay and is responsible for staying up-to-date on the rules and regulations governing the Commonwealth's commuting process, including changes in mileage reimbursement rates.

During fiscal year 2010, the Commuting Coordinator used a rate of $0.26 per mile to calculate commuting deductions; however, the Department of Accounts (DOA) approved rates for these deductions during fiscal year 2010 were $0.55 and $0.50, unless the agency has an exception from the State Comptroller to use another rate. Corrections does not have authorization to use an alternate rate to calculate commuting fee deductions, so the agency should use the current IRS rate to calculate these deductions.

Corrections deducted approximately $63,700 in commuting fees from 62 employees' pay using a rate of $0.26 per mile. The IRS rate for July 1, 2009 through December 31, 2009 was $0.55; on January 1, 2010 the rate changed to $0.50. Based on the IRS rates, Corrections should have deducted an estimated additional $65,000 in fees. The IRS rate changed again effective January 1, 2011 to $0.51; however, Corrections still has not altered its commuting fee calculations to adjust for this change. Furthermore, Corrections has used the rate of $0.26 per mile to calculate commuting deductions for an undetermined period of time, so the financial impact on the agency for previous fiscal years is uncertain.

The General Services Unit should immediately correct its calculations for commuting fee deductions to reflect the current IRS rate, and the Unit should immediately begin deducting the appropriate commuting fees from employees' pay based on these adjusted calculations. Additionally, since the General Services Unit used an inaccurate rate to calculate deductions in fiscal years 2010, 2011, and previous fiscal years, Corrections' management should evaluate the need to recover the difference in commuting fees from employees for these fiscal years.

Furthermore, management should ensure that all General Services Unit employees responsible for managing employee commuting and associated payroll deductions are aware of the statutes and regulations governing this process. Responsible employees should regularly review these statutes and regulations to remain aware of any changes, and they should alter agency policies and procedures to reflect these changes.

Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory

Corrections owns 2,274 vehicles and leases an additional 579 from the OFMS. In fiscal year 2010, Corrections paid approximately $1.2 million to the fuel card vendor. Corrections did not address weaknesses in vehicle inventory and fuel card management that we identified during the prior year's audit.

In the prior year, we found that Corrections does not properly reconcile fuel card charges before processing payment to the card vendor as required by the Office of Fleet Management Services (OFMS) regulations. Additionally, we determined that Corrections does not track its vehicles regularly to account for all agency-owned and leased vehicles.

Fuel Cards

Corrections' prior year corrective action plan stated it would develop a policy and procedure to reconcile monthly fuel card charges before processing card payments; however, Corrections decided not to follow through with this plan. Taking into account recent staffing reductions within the Department, management determined that the work required to perform a monthly review of receipts from fuel card purchases for all vehicles would be an overburden on field staff in business offices. Instead, management decided to rely on the verification performed by the General Services Unit, which involves only a visual review of the fuel card invoice to identify charges that conflict with purchasing patterns and does not include reconciliation to actual receipts.

The General Services Unit does not document its monthly review of the fuel card statements or track any of the exceptions it finds to determine if there are patterns of errors or other problems. As a result, we were unable to determine the effectiveness of this review.

In addition, work performed in the prior year's audit found that this review was not sufficient to identify erroneous charges and prevent improper payments to the vendor. Corrections' decision to not implement some form of reconciliation or document the results of the review over fuel cards during the current economy greatly increases the risk of fraud and abuse of the fuel cards.

Finding

Corrections should conduct a cost benefit analysis to determine if the agency's cost to perform monthly reconciliations of fuel card charges is greater than potential dollars lost through fuel card misuse or erroneous charges. By quantifying the costs and benefits, management can determine which option provides the greatest financial benefit to the agency and can properly justify its decision to accept the risk of potential fuel card fraud, abuse, or error.

Vehicle Inventory

To address the prior year's issues, Corrections planned to develop policies and procedures to perform an annual reconciliation of agency-owned and leased vehicles against the Fixed Asset Accounting and Control System (FAACS), perform an annual reconciliation of leased vehicles against OFMS listings, and to perform monthly reconciliations of fuel card charges against the vendor's invoices. Corrections did not follow through with its corrective action plans from the prior year, and therefore, we reissue this management recommendation.

In March 2011, Corrections performed a reconciliation of leased vehicles by comparing agency records to OFMS listings; however, this was the first reconciliation performed since our prior year recommendation, and the agency does not have documented procedures to govern this process. Corrections has not performed a reconciliation of agency-owned vehicles to FAACS, and there is not a documented procedure to govern this process.

An inaccurate inventory of agency-owned and leased vehicles reduces the ability to track vehicles used by agency employees and increases the potential for misuse of vehicles. Furthermore, an inaccurate inventory of agency-owned vehicles increases the potential for improper financial reporting, and an inaccurate inventory of leased vehicles increases the potential for improper lease payments to the OFMS. The agency's vehicle management and accounting functions must interact to ensure that the vehicles that employees use in the course of business are the same vehicles identified for financial reporting purposes.

Finding

Corrections should develop and implement controls to facilitate interaction between the agency's vehicle management function and accounting function to ensure that the vehicles the agency owns and uses are the same as the vehicles included in FAACS for financial reporting purposes. Furthermore, Corrections should develop and implement controls to ensure that the agency accurately accounts for vehicles leased from the OFMS and that Corrections' inventory of leased vehicles reconciles with the OFMS's records of vehicles leased to Corrections.

Improve Controls and Processes Surrounding Fixed Asset Accounting and Control System

Corrections does not consistently record capital assets in the Fixed Asset Accounting and Control System (FAACS) in accordance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual and the agency's policies and procedures. Corrections has a decentralized fiscal operation and as a result, employees at multiple locations are responsible for recording capital assets in FAACS. The Fiscal Officer at each location must ensure there is a process to identify applicable assets and enter them into FAACS.

We found five out of 31 transactions resulted in purchased assets that the central office or facilities did not record in FAACS. For one of these transactions, the Central Office purchased telecommunications equipment for multiple facilities, but the central office did not notify the facilities of the purchases or provide them with the information they needed to record the asset in FAACS. Another transaction was for belt elevators installed at the Flash Freeze operation, which was previously under the authority of Southampton Correctional Center. When Southampton closed, Deerfield assumed responsibility of the Flash Freeze operation and FAACS input of related assets, and the agency never recorded these items in FAACS. For a third transaction, Deerfield purchased a vehicle in September 2009 for use by Corrections' Environmental Services Unit. This unit is under a central Corrections agency code and was responsible for recording the vehicle in FAACS;

however, the Unit never recorded the item. For the fourth transaction, Greensville Correctional Center purchased fence security equipment, and the facility neglected to record the asset in FAACS. The final transaction was for work the Central Virginia Correctional Field Unit performed to prepare and put in place trailers for use. The Field Unit capitalized the trailer, but did not include the costs associated with putting the asset into operation as required by accounting policies. In total, there were 15 items worth $167,000 not recorded in FAACS.

Three of the exceptions identified occurred under unusual circumstances where one facility or unit purchased the items but a different entity recorded the items in FAACS. For the remaining exception, the facility that purchased the item also neglected to record the item in FAACS. Based on our review, Corrections' does not have adequate procedures in place to designate responsibility for recording items in FAACS, specifically in circumstances where one entity purchases an asset, but the asset is assigned to a different location. Furthermore, the entities involved do not communicate to ensure that the responsible party records the items purchased in FAACS. Failure to properly record assets in FAACS could result in inaccurate financial reporting of agency assets for the Commonwealth's financial statements.

Corrections should strengthen its procedures to clarify responsibility for entering items in FAACS when multiple units or locations are involved. Additionally, the Budget Office, which is responsible for agency FAACS training, should evaluate the need to provide additional training to employees in other units or at other agency locations to ensure that all employees responsible for identifying capital assets and recording assets in FAACS have the knowledge necessary to fulfill these responsibilities.

Perform CIPPS to CARS Reconciliation

After processing payroll, Corrections' Central Office does not perform a CIPPS to CARS reconciliation for the Department's central agency or for those agencies over which the Central Office has responsibility. These agencies account for 20 percent of Corrections' annual payroll, which totals approximately $700 million. State policies require all agencies to perform a post-certification audit of payroll to determine that staff recorded expenses to the correct programmatic codes. A CIPPS to CARS reconciliation can reveal discrepancies or errors in one or both systems. Discrepancies and errors can cause budget and accounting issues by charging expenses to improper fund, program, and account codes.

Corrections has not been performing this reconciliation due to the volume and complexity of the expenses. However, the importance of performing this reconciliation increases as the payroll coding structure becomes more complex due to the increased risk of misclassification. Corrections' Central Office should perform a CIPPS to CARS reconciliation after processing payroll in order to monitor their payroll expenses and ensure the information in both systems is accurate.

AGENCY HIGHLIGHTS

Corrections operates the state's correctional facilities for adult offenders and directs the work of all probation and parole officers. Corrections has determined that its mission is to enhance public safety by controlling and supervising sentenced offenders in a humane, cost-efficient manner, consistent with sound correctional principles and constitutional standards. Corrections also coordinates parole activities with the Parole Board. Corrections provides the Parole Board with services that include processing financial transactions and preparing financial reports. This report describes later, in more detail, the operations of each of Corrections' programs and the Parole Board.

Corrections Funding

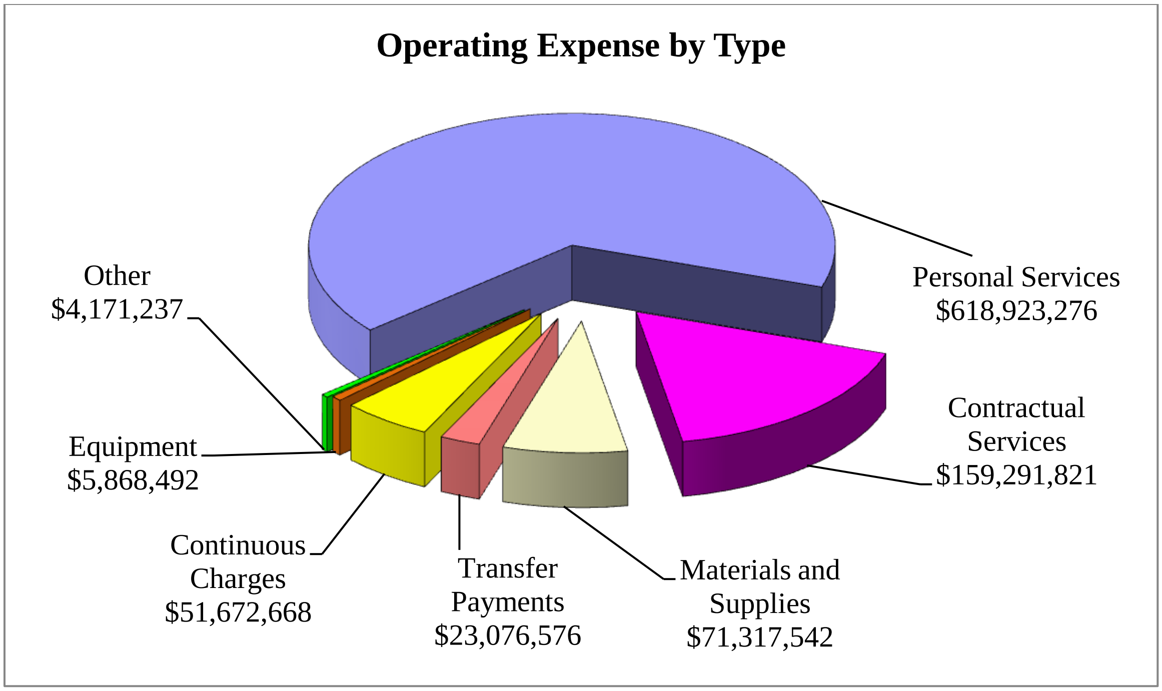
Corrections' primary source of funding is General Fund appropriations, which pay 97 percent of the operating expenses. Corrections also receives monies through federal grants and for housing out-of-state inmates. The following schedule compares selected operating statistics for the past six fiscal years.

	2005	2006	2007	2008	2009	2010
Average annual cost per inmate	$21,248	$23,123	$22,830	$24,332	$24,665	$24,024
Total operating budget (in millions)	$ 814	$ 874	$ 895	$ 1,001	$ 1,012	$ 939

Sources: Corrections' Management Information Summary Report and Chapter 872 Appropriation Act with appropriation adjustments processed during the year by the Department of Planning and Budget. Table excludes Virginia Correctional Enterprises and Virginia Parole Board.

Corrections' largest expense item is personal services, which includes payroll and fringe benefit costs for the agency's employees. In fiscal year 2010, personal service expenses comprised 63 percent of total agency expenses. Corrections' authorized employment level for fiscal year 2010 was 12,489.5, which was a three percent decrease from the agency's fiscal year 2009 level. This reduction in the authorized employment level is attributable to the loss of positions resulting from budget reductions and the elimination of some unfunded authorized positions. Corrections' average employment level during fiscal year 2010 was 11,769.

Corrections' second largest expense item is contractual services. Corrections has several large contracts for services at various facilities including food services, medical and prescription drug services, and phone services. The following chart shows total operating expenses by type for fiscal year 2010.



Source: The Commonwealth's Accouting and Reporting System (CARS)

In addition to the expenses previously discussed above, Corrections' contractual services expenses also include capital outlay and maintenance reserve expenses. In fiscal year 2010, Corrections spent $43 million for capital outlay and $3.5 million for maintenance reserve expenses. The following lists some of the largest capital outlay projects.

- $27.3 million for construction of the Mount Rogers medium security correctional facility
- $3.4 million for roof replacements at multiple institutions
- $2.4 million for the Deerfield Correctional Center expansion
- $2.2 million to construct a new milk processing plant at Powhatan Correctional Center
- $1.5 million to upgrade the Wastewater Treatment Plant at Nottoway Correctional Center
- $1.5 million for Phase II of the St. Brides Correctional Center

Budget Development and Execution Issues

During the budget development process, Corrections requests full funding for its authorized employment level, although the authorized level is usually greater than the agency's actual employment level each fiscal year. This practice results in annual savings to the agency when positions are unfilled. Corrections uses these savings for other operating expenses when they do not have full funding. Although Corrections' authorized position level has decreased significantly as a result of recent budget reductions, the agency continues to have a vacancy rate that produces sufficient funds to pay for these unfunded items. During fiscal year 2010, Corrections funded utility rate increases, gasoline rate increases, and leases with funds initially budgeted for employee-related expenses. Corrections funds these expenses annually with vacancy savings.

In larger agencies such as Corrections, the Governor's budget and the enacted Appropriation Act included a program called Executive Management, which set targeted budget reduction amounts for the entire agency. Corrections' management had responsibility to achieve this budget reduction amount by determining where within the overall Corrections' budget to reduce spending. As management identified these reductions in other programs, they transferred these saving to zero out this program. As shown below, management needed to achieve a budget reduction within the agency of approximately $46.3 million. In our discussion of the various programs in this report, we indicate the amount transferred for these savings and any other significant budgetary actions.

The following table summarizes Corrections' budget and actual operating activity by program for fiscal year 2010:

Budget and Actual Expense Analysis by Program

	Original Budget	Final Budget	Expenses
Operation of secure correctional facilities	$ 897,241,073	$ 805,261,541	$ 803,302,381
Supervision of offenders and re-entry Services	87,363,009	74,380,968	73,534,549
Administrative and support services	76,402,834	89,688,888	87,963,417
Operation of state residential community correctional facilities	20,022,800	16,274,065	15,874,065
Executive management	(46,333,624)	-	-
Total	$1,034,696,092	$ 985,605,462	$ 980,674,412

Funds appropriated to and expended by the Virginia Parole Board are excluded.

Information on each of Corrections' program areas and the Parole Board is provided below.

Operation of Secure Correctional Facilities

The Operation of Secure Correctional Facilities Program represents efforts to house and supervise persons convicted of crimes and committed to the state to serve their sentences. This program includes the following service areas: Supervision and Management of Inmates, Rehabilitation and Treatment Services, Prison Management, Food Services, Medical and Clinical Services, Agribusiness, and Physical Plant Services. This Program also includes Correctional Enterprises, which we discuss in the "Virginia Correctional Enterprises" section of this report.

During fiscal year 2010, this program's final budget decreased by approximately $92 million from the original budget. Corrections transferred approximately $87 million of these funds to the Executive Management Program and the Administrative and Support Services Program to properly reflect agency budget reductions. Additionally, Corrections transferred approximately $15 million to Central Appropriations to fulfill the distributions required for changes in employee benefits. To offset these transfers from the Program, Chapter 872, 2010 Acts of Assembly increased the appropriation by $7.3 million, of which Virginia Correctional Enterprises received $6 million of this additional appropriation for anticipated increased product sales.

Supervision of Offenders and Re-entry Services

The Supervision of Offenders and Re-entry Services Program represents efforts to provide supervised custody of offenders within the community as an alternative to institutionalization and to continue the provision of community rehabilitative services to them after their release from confinement. This program includes the following service areas: Probation and Parole Services, Community Residential Programs, and Administrative Services. This Program previously included Day Reporting Centers; however, Corrections closed these centers during fiscal year 2009 as a result of budget reductions.

During fiscal year 2010, this program's final budget decreased by approximately $13 million from the original budget. Corrections transferred approximately $8.8 million from this program to the Administrative and Support Services Program and Executive Management Program to properly reflect agency budget reductions. Corrections transferred approximately $4 million to Central Appropriations to fulfill the distributions for changes in employee benefits.

Administrative and Support Services

The Administrative and Support Services Program represents the administrative management and direction for all of Corrections' activities. These activities include the following: General Management and Direction, Information Technology, Accounting and Budgeting, Architecture and Engineering, Personnel, Planning and Evaluation, Procurement and Distribution, the Training Academy, and Offender Classification and Time Computation.

During fiscal year 2010, this program's final budget increased by approximately $13.3 million over the original budget as a result of transfers from other agency programs. Approximately $30.5 million came from the Supervision of Offenders and Re-entry Services Program, the Operation of Secure Correctional Facilities Program, and the Operation of State Residential Community Correctional Facilities Program to realign the agency's appropriation to meet projected expenditures for this program. This appropriation increase offset an approximate $17.4 million transfer to Central Appropriations for designated reversions in agency appropriations and changes in employee compensation and benefits.

Operation of State Residential Community Correctional Facilities

The Operation of State Residential Community Correctional Facilities Program represents efforts to operate community detention and diversion centers for offenders assigned to them by courts in lieu of incarceration in secure prisons. This program includes the following service areas: Community Facility Management, Supervision and Management of Probates, Rehabilitation and Treatment Services, Medical and Clinical Services, Food Services, and Physical Plant Services.

During fiscal year 2010, this program's final budget decreased by approximately $3.7 million from the original budget, the majority of which is due to fiscal year 2010 budget reductions. The section "Budget Reduction Impact" discusses the specific budget reductions and the impact these reductions had on Corrections.

Executive Management

The Executive Management Program accounts for budget reductions included in the agency's original fiscal year 2010 appropriation. During the fiscal year, the agency cleared out this program by reflecting these reductions of $46.3 million in other agency programs.

Virginia Parole Board

Budget and Actual Expense Analysis by Program for Fiscal Year 2010

	Original Budget	Final Budget	Actual Expenses
Probation and parole determination	$760,236	$764,747	$708,914
Executive management	(2,647)	-	-
Total	$757,589	$764,747	$708,914

The Probation and Parole Determination program within the Virginia Parole Board enables Corrections to investigate and supervise sentenced felons and multi-misdemeanants in the community under conditions of Probation, Post-Release or Parole, and special conditions as set by the Court or the Parole Board. The Commonwealth abolished parole for felonies committed on or after January 1, 1995, but over 75 percent of the "no parole" offenders have supervised probation following incarceration.

Duties within this activity include: case supervision, surveillance, assuring safety and security of staff, providing transitional services to offenders returning to communities, home visits, investigations and other work in support of the Courts, arrest record checks, urinalysis, referral to or direct provision of treatment services, maximizing the use of technology, and support for transfer of supervision to other localities or states. The objectives of these services are to assure that an offender does not pose a threat to the community, to offer offenders opportunities to modify behavior and attitudes, and to effect positive changes in offenders through supervision and intervention.

In fiscal year 2010, there were no significant changes between the original and final budgets for this program.

The Executive Management Program accounts for budget reductions included in the agency's original fiscal year 2010 appropriation. During the fiscal year, the agency cleared out this program by reflecting these reductions in the Probation and Parole Determination Program.

Budget Reduction Impact

For fiscal year 2010, Corrections had a general fund appropriation reduction of $68.5 million, the majority of which was a continuation of reductions initiated in fiscal year 2009; however, Corrections incurred approximately $22 million in additional reductions for fiscal year 2010. The most substantial reduction strategies involved closing some of Corrections' facilities, including many older or smaller facilities, such as Botetourt Correctional Center, Brunswick Correctional Center, Pulaski Correctional Center, Southampton Correctional Center, Chatham Diversion Center, Dinwiddie Field Unit, Tazewell Field Unit, and White Post Detention Center.

In fiscal year 2010, Corrections' appropriation reflected a full fiscal year's impact of some reduction strategies implemented in fiscal year 2009, such as closing all Day Reporting Centers and alternatively increasing the use of electronic surveillance, reducing counselors throughout the correctional system, and eliminating the therapeutic transitional community programs. In fiscal year 2010, Corrections also deferred a number of institutional equipment purchases until later fiscal years and replaced $1.3 million of general funds with non-general fund revenue.

Corrections eliminated various support positions within institutional facilities, and fiscal employees took on greater responsibilities from fiscal positions eliminated to meet budget reductions. Overall, fiscal year 2010 budget reduction strategies impacted 449.5 positions within Corrections. Of these positions, the majority were either placed in other positions within Corrections, retired from state services, or sought employment elsewhere.

Corrections faced additional budget reductions in fiscal year 2011 and, as a result, closed James River Correctional Center in April 2011.

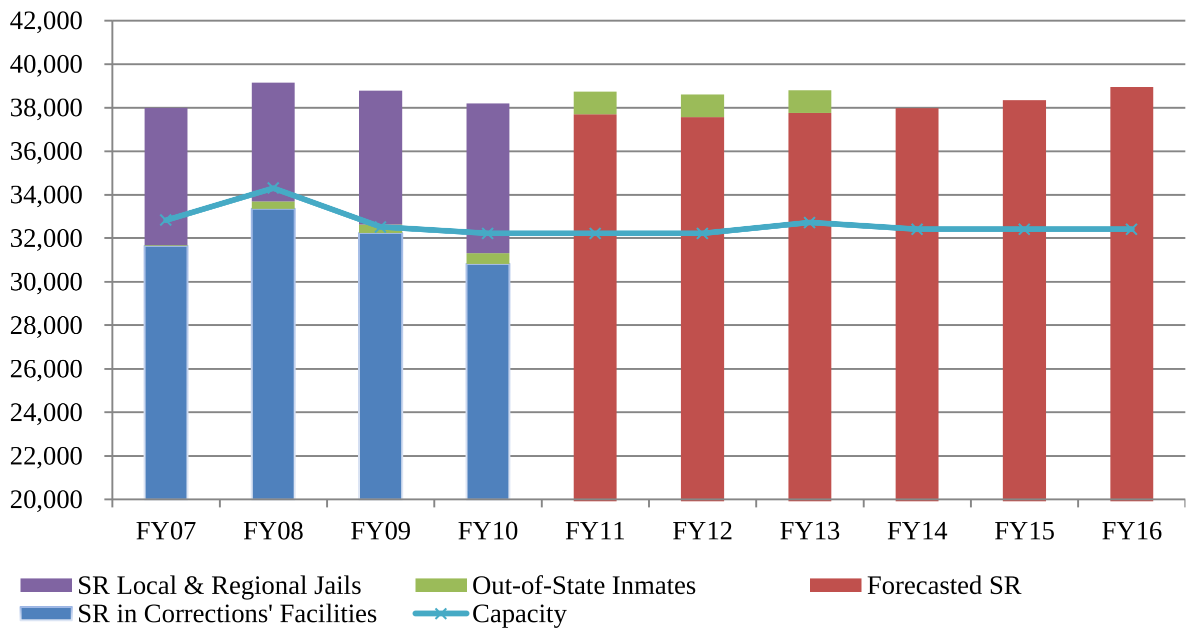
Inmate Population Forecasts and Capacity

Corrections and the Secretary of Public Safety regularly estimate and analyze inmate population, trends, and facility capacity. The Secretary of Public Safety provides an annual report in October to the Governor and General Assembly that shows offender population forecasts for the next six years. Experts from state government including the Departments of Planning and Budget, Juvenile Justice, Corrections, Criminal Justice Services and State Police, Virginia Parole Board, Compensation Board, Supreme Court, Senate Finance Committee, House Appropriations Committee, and the Virginia Sheriff's Association work along with researchers, methodologists and analysts to prepare the offender forecast.

The Secretary of Public Safety's forecast includes all State responsible inmates, including those temporarily housed in local jails, serving their sentence in a local jail, or in a local jail work-release program. Corrections uses the Secretary's forecast and makes adjustments to account for those locally jailed inmates when estimating their future inmate populations that need to be housed in Correction's facilities. The following graph shows the actual and projected State responsible population, out-of-state inmates, and the capacity forecasts through 2016.

State Responsible Inmate Population and Prison Capacity Analysis

As of November 2010



Sources: Corrections' Master Plans, Inmate Population Reports, Compensation Board Jail Population Reports,and the Secretary of Public Safety's Offender Population Forecast Reports
Legend: SR represents State Responsible.

Corrections continues to use the double-bunking of inmates and temporary beds, as well as backing up State responsible inmates in local and regional jails, to maximize their capacity. Most facilities have already reached their maximum capacity for double-bunking, and there are approximately 819 temporary beds statewide as of April, 2011. Corrections has a long-term goal to discontinue the use of temporary beds but must use these beds in order to relieve the inmate backlog in local and regional jails, referred to as out-of-compliance inmates. Inmates classified as out-of-compliance have remained in local or regional jails past the 60-day period that Corrections has to retrieve the inmate from the jail.

Corrections calculates the number of out-of-compliance inmates weekly, and as of April 11, 2011 there were approximately 3,777 out-of-compliance State responsible inmates in local and regional jails, a decrease of approximately 575 since 2010 due to an overall decline in the population of adult state-responsible inmates. An inmate's sentence determines whether he or she is State responsible, and only those who remain in a local or regional jail past the 60-day period are classified as out-of-compliance; therefore, the out-of-compliance figure is less than the total number of State responsible inmates in local and regional jails, but has become an increasingly larger portion of the total over the past year.

In addition to the out-of-compliance amount, differences between capacity and the forecasted State responsible inmates include the following.

- Inmates within the 60-day period before transport to a Corrections facility
- Where Corrections has not received the court order to allow for their transport from the jail to a Corrections' facility
- State responsible inmates who are serving their sentence in jail at the request of the jail
- Inmates who are State responsible, but are under a jail contract, work release, or re-entry stage of their sentence

Out-of-state inmates represent only a small percentage of inmates housed by Corrections. In fiscal year 2010 Corrections entered into a contractual agreement with Pennsylvania to house 1,040 inmates, and these inmates transferred to Corrections' facilities in February 2010. Corrections' contract with Pennsylvania generated approximately $10 million in non-general funds during fiscal year 2010. Because of significant budget reductions incurred by the agency during the fiscal year, these non-general funds were essential to fund the agency's operations. Loss of these funds in the future without general fund support could result in additional facility closings.

The prison capacity increase in fiscal year 2008 reflects the construction of new prisons and additions to existing prisons. This construction included an expansion at the Deerfield Correctional Center and construction of the Green Rock and Pocahontas Correctional Centers. Capacity decreased in fiscal year 2009 due to closure of the Southampton Correctional Center, Dinwiddie Correctional Unit, Pulaski Correctional Center, and Tazewell Correctional Unit, representing a total loss of approximately 1,300 beds. Additionally, Brunswick Correctional Center (750 beds) and Botetourt Correctional Center (344 beds) closed in October 2009, representing a loss of an additional 1,094 beds. However, St. Brides Phase 2 (800 beds) opened on March 22, 2010, to offset rental beds going to Pennsylvania. The delay in opening Phase 2 was due to a lack of operating funds. The sale of beds to Pennsylvania generated non-general funds to support the operation of Phase 2.

Fiscal years 2010 through 2016 forecasts identify an increase in capacity needs. The capacity figures take into account all facility closures through fiscal year 2010 but do not include any closures in the 2011-2012 biennium. Most recently, James River Correctional Center closed in April 2011, deducting an additional 464 beds (434 beds and 30 temporary beds). The forecasted state-responsible population greatly exceeds Corrections' forecasted capacity. For the short term, Corrections plans to work together with local and regional jails to use the excess capacity in the jails; however, several local sheriffs and Regional Jail Administrators have recently objected to the idea of the state using excess capacity in the local system and argue that the state's practice of relying on local beds for the state-responsible out-of-compliance inmate population is detrimental to the local and regional jails. As demand for beds increases in the local jails, Corrections anticipates receiving state funding in fiscal year 2013 to open the Mt. Rogers facility, which Corrections finished constructing in 2010. At full capacity, Mt. Rogers will provide 1,038 additional beds. Corrections revisits inmate population and capacity forecasts every year, and depending on the future economy and budget changes, Corrections will continue to adjust its projections as necessary.

Information Systems

In fiscal year 2010, Corrections completed implementation of an automated Offender Management Information System, VirginiaCORIS, which replaces over ten antiquated legacy systems. CORIS is the software solution purchased from the xwave New England Corporation.

VirginiaCORIS is an initiative to modernize the way Corrections manages offender information. The system provides real time offender data to authorized users, enhances the ability to share offender information with others, improves the quality of the offender data, and improves the reporting and decision-making ability of the entire Department.

VirginiaCORIS included three major projects that Corrections released between 2006 and 2010: Offender Sentence Calculation (Project 1); Community Corrections (Project 2); and Institutional Operations (Project 3). Corrections released Project 3 in February 2010, and the final product results in a single, fully integrated system that replaces Corrections' legacy offender-related applications.

The Information Technology Infrastructure Partnership (Partnership) between the Virginia Information Technologies Agency and Northrup Grumman continues to transform Corrections' systems hardware. Corrections expects the Partnership to relocate the hardware from Correction's headquarters building to the Partnership's data center by the end of calendar year 2011.

Prison Privatization

Corrections has one privately operated medium security prison in Lawrenceville which opened in 1998. The Geo Group, Inc. (formerly the Wackenhut Correctional Corporation) operates the prison under a contract with Corrections that requires Corrections to maintain the facility at a minimum capacity of 1,425 inmates. The facility houses only male inmates and does not have a major medical facility. The contract per diem rate is currently $42.64 for the first 1,425 inmates and $7.21 for each inmate above 1,425. The contract adjusts the per diem rates annually on March 23 based on the Consumer Products Index for wage earners. Also under the contract, the GEO Group must maintain the American Corrections Association (ACA) accreditation and meet Corrections' internal standards. In its most recent re-accreditation inspection, the Lawrenceville Correctional Center met 100 percent of mandatory and 100 percent of non-mandatory ACA standards and received its reaccreditation again in October 2009.

VIRGINIA CORRECTIONAL ENTERPRISES

AGENCY HIGHLIGHTS

Corrections has operated Virginia Correctional Enterprises (VCE) since 1934 as one of its many work programs for inmates. The Code of Virginia requires VCE to provide job skill training and wage earning opportunities for Corrections' inmates. As of April 2011, VCE employed 1,335 inmates housed in State correctional facilities. These inmates work in 25 operations at 13 institutions. VCE also employs approximately 184 civilian staff who work in the central office and warehouse in Richmond or in the various correctional facilities throughout the state.

Section 53.1-47 of the Code of Virginia requires all Commonwealth departments, institutions, and agencies, supported in whole or in part with funds from the state treasury, to purchase goods manufactured by VCE. Agencies must obtain a waiver in order to purchase the same goods VCE manufactures from another vendor. For fiscal year 2010, state agencies accounted for approximately 47 percent of sales; colleges and universities, local governments, and not for profit businesses purchased the remaining 53 percent.

Financial Summary

VCE is a self-sufficient operation, paying for all expenses from monies collected for sales of its goods and services. The following table summarizes VCE's budget and actual operating activity for fiscal year 2010.

Budget and Actual Expense Analysis by Program for Fiscal Year 2010

	Original Budget	Final Budget	Actual Expenses
Operation of secure correctional facilities	$51,355,345	$46,360,000	$46,352,800

VCE sales were slightly higher in fiscal year 2010, returning to normal levels after budget reductions in state government in prior years. The following information from VCE's internal accounting system summarizes financial results for fiscal years 2009 and 2010.

Year Ended	June 30, 2010	June 30, 2009
Charges for sales and services	$48,193,356	$47,328,129
Cost of goods sold:		
Raw materials consumed	20,610,613	18,833,030
Inmate compensation	1,702,237	1,610,950
Total cost of goods sold	22,312,850	20,443,980
Manufacturing overhead	14,624,184	13,460,980
Administrative and warehouse expenses	10,515,374	10,710,421
Total cost of goods, overhead, and operating expenses	47,452,408	44,615,381
Operating income	740,949	2,712,748
Transfers to the General Fund	(2,280,910)	(1,160,419)
Other income	(20,846)	295,550
Non-operating revenues/(expenses)	(2,301,756)	(864,869)
Net income	$(1,560,807)	$ 1,847,879

Sales and Inventory Information by Industry

VCE operates 15 industries. Of these industries, the wood industry is the largest in sales volume, accounting for almost 30 percent of all sales, and is largest in inventory volume, accounting for over 41 percent of all inventories in fiscal year 2010. Overall, six industries account for the majority of sales and inventory, as shown below.

	Revenue	Inventory
Wood	$14,302,878	$ 4,566,225
Key Office Systems	8,937,350	1,533,163
Tags	5,466,515	1,100,786
Clothing	5,293,709	1,660,640
Metal	3,599,092	1,558,314
Print	3,660,855	308,247
Other	6,932,957	514,168
Total	$48,193,356	$11,241,543

The inventory balance consists of raw material, work-in-progress, and finished goods for all industries. VCE maintains a perpetual inventory system. The plant staff performs a complete inventory count each February, instead of fiscal year end, due to increased orders and high production towards the end of the fiscal year. During the last quarter of the fiscal year, VCE increases the number of test counts at each plant to ensure that the plants are correctly reporting inventory balances at fiscal year-end.

Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

June 10, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Department of Corrections, Virginia Parole Board,** and **Virginia Correctional Enterprises** (herein collectively identified as the Department) for the year ended June 30, 2010. 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.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of the Department's financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia and in the SyteLine system for Virginia Correctional Enterprises (VCE) for the year ended June 30, 2010. In support of this objective, we evaluated the accuracy of recording financial transactions in the Commonwealth Accounting and Reporting System and in the Department's accounting records, reviewed the adequacy of the Department's internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Appropriations
Expenditures, including payroll
Contract management
Capital outlay
Inmate trust funds
Commissary funds
Inventory
Revenues and cash receipts
Agency-owned and leased vehicles and associated commuting fees

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in SyteLine. VCE records its financial transactions in its accounting records on the accrual basis of accounting. All other entities within the Department record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System, the Department's Annual Management Information Summary Reports, Master Plan Reports, and VCE's accounting records and financial reports.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The Department has not taken corrective action with respect to some audit findings reported in the prior report. The matters entitled "Improve Procedures for Monitoring Vehicle and Fuel Card Use" and "Improve Procedures for Tracking Vehicle Inventory" are repeated in the section entitled "Audit Findings and Recommendations." The Department has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on June 13, 2011. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

DBC/alh

COMMONWEALTH of VIRGINIA
Department of Corrections

HAROLD W. CLARKE
DIRECTOR

P. O. BOX 26963
RICHMOND, VIRGINIA 23261
(804) 674-3000

June 10, 2011

Mr. Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

RE: APA Audit Report on the Department of Corrections, Virginia Parole Board and Virginia Correctional Enterprises for the Fiscal Year Ended June 30, 2010.

Dear Mr. Kucharski:

Enclosed is the Department of Corrections' response to the Auditor of Public Accounts (APA) report pertaining to the Department, the Virginia Parole Board and Virginia Correctional Enterprises for the fiscal year ending June 30, 2010. We appreciate the opportunity to respond to the report findings prior to formal publications of the report.

We believe the Department of Corrections provides viable responses, accompanied by corrective action plans which are appropriate and specifically address the issues raised by the APA. Combined with actions already taken and currently under way, the Department's objective to comply with applicable laws and regulations will serve to strengthen and control our operations and financial records.

Please let me know should you have any questions regarding this response.

Sincerely,

N. H. Scott

Ms. N.H. Scott
Deputy Director
Administration

Enclosure

cc: Mr. Harold W. Clarke
Mr. Louis B. Eacho

Strengthen Controls Over Commuting Payroll Deductions

The Department of Corrections (Corrections) uses inappropriate mileage reimbursement rates to calculate employees' payroll deductions for commuting in state vehicles and under recovered approximately $65,000 from 62 employees during fiscal year 2010. Some state employees have a permanently assigned state-owned vehicle for use in their job. When the employee uses this vehicle to commute between home and work, they must reimburse the Commonwealth for the use of the vehicle for commuting. If the employee does not reimburse the Commonwealth, the personal use of the vehicle is a taxable benefit.

Corrections' General Services Unit manages all agency vehicles, including overseeing the calculations and deductions of employee commuting fees. Within the General Services Unit, the Commuting Coordinator calculates the appropriate fees to deduct from each commuter's pay and is responsible for staying up-to-date on the rules and regulations governing the Commonwealth's commuting process, including changes in mileage reimbursement rates.

During fiscal year 2010, the Commuting Coordinator used a rate of $0.26 per mile to calculate commuting deductions; however, the Department of Accounts (DOA) approved rates for these deductions during fiscal year 2010 were $0.55 and $0.50, unless the agency has an exception from the State Comptroller to use another rate. Corrections does not have authorization to use an alternate rate to calculate commuting fee deductions, so the agency should use the current IRS rate to calculate these deductions.

Corrections deducted approximately $63,700 in commuting fees from 62 employees' pay using a rate of $0.26 per mile. The IRS rate for July 1, 2009 through December 31, 2009 was $0.55; on January 1, 2010 the rate changed to $0.50. Based on the IRS rates, Corrections should have deducted an estimated additional $65,000 in fees. The IRS rate changed again effective January 1, 2011 to $0.51; however, Corrections still has not altered its commuting fee calculations to adjust for this change. Furthermore, Corrections has used the rate of $0.26 per mile to calculate commuting deductions for an undetermined period of time, so the financial impact on the agency for previous fiscal years is uncertain.

The General Services Unit should immediately correct its calculations for commuting fee deductions to reflect the current IRS rate, and the Unit should immediately begin deducting the appropriate commuting fees from employees' pay based on these adjusted calculations. Additionally, since the General Services Unit used an inaccurate rate to calculate deductions in fiscal years 2010, 2011, and previous fiscal years, Corrections' management should evaluate the need to recover the difference in commuting fees from employees for these fiscal years.

Furthermore, management should ensure that all General Services Unit employees responsible for managing employee commuting and associated payroll deductions are aware of the statutes and regulations governing this process. Responsible employees should regularly review these statutes and regulations to remain aware of any changes, and they should alter agency policies and procedures to reflect these changes.

DOC Response: DOC recognizes the error in the commuting rate that was being charged and collected.

Management Plan for Corrective Action: As of May 25, 2011 DOC changed the commuting rate to the current $.51 as established by DGS State Fleet. DOC reissued commuting forms to all staff that were commuting and received the commuting payroll authorizations forms back from those that wished to continue to commute. The forms were processed through to the DOC Payroll section. DOC staff will check annually for the correct commuting rate as published by State Fleet and will make modifications to the rate being charged as necessary.

Responsible Parties: DOC Commuting Log Staff

Estimated Completion Date: Completed.

Develop and Implement Policies and Procedures for Fuel Cards and Vehicle Inventory

Corrections owns 2,274 vehicles and leases an additional 579 from the OFMS. In fiscal year 2010, Corrections paid approximately $1.2 million to the fuel card vendor. Corrections did not address weaknesses in vehicle inventory and fuel card management that we identified during the prior year's audit.

In the prior year, we found that Corrections does not properly reconcile fuel card charges before processing payment to the card vendor as required by the Office of Fleet Management Services (OFMS) regulations. Additionally, we determined that Corrections does not track its vehicles regularly to account for all agency-owned and leased vehicles.

Fuel Cards

Corrections' prior year corrective action plan stated it would develop a policy and procedure to reconcile monthly fuel card charges before processing card payments; however, Corrections decided not to follow through with this plan. Taking into account recent staffing reductions within the Department, management determined that the work required to perform a monthly review of receipts from fuel card purchases for all vehicles would be an overburden on field staff in business offices. Instead, management decided to rely on the verification performed by the General Services Unit, which involves only a visual review of the fuel card invoice to identify charges that conflict with purchasing patterns and does not include reconciliation to actual receipts.

The General Services Unit does not document its monthly review of the fuel card statements or track any of the exceptions it finds to determine if there are patterns of errors or other problems. As a result, we were unable to determine the effectiveness of this review.

In addition, work performed in the prior year's audit found that this review was not sufficient to identify erroneous charges and prevent improper payments to the vendor. Corrections' decision to not implement some form of reconciliation or document the results of the review over fuel cards during the current economy greatly increases the risk of fraud and abuse of the fuel cards.

Finding

Corrections should conduct a cost benefit analysis to determine if the agency's cost to perform monthly reconciliations of fuel card charges is greater than potential dollars lost through fuel card misuse or erroneous charges. By quantifying the costs and benefits, management can determine which option provides the greatest financial benefit to the agency and can properly justify its decision to accept the risk of potential fuel card fraud, abuse, or error.

Vehicle Inventory

To address the prior year's issues, Corrections planned to develop policies and procedures to perform an annual reconciliation of agency-owned and leased vehicles against the Fixed Asset Accounting and Control System (FAACS), perform an annual reconciliation of leased vehicles against OFMS listings, and to perform monthly reconciliations of fuel card charges against the vendor's invoices. Corrections did not follow through with its corrective action plans from the prior year, and therefore, we reissue this management recommendation.

In March 2011, Corrections performed a reconciliation of leased vehicles by comparing agency records to OFMS listings; however, this was the first reconciliation performed since our prior year recommendation, and the agency does not have documented procedures to govern this process. Corrections has not performed a reconciliation of agency-owned vehicles to FAACS, and there is not a documented procedure to govern this process.

An inaccurate inventory of agency-owned and leased vehicles reduces the ability to track vehicles used by agency employees and increases the potential for misuse of vehicles. Furthermore, an inaccurate inventory of agency-owned vehicles increases the potential for improper financial reporting, and an inaccurate inventory of leased vehicles increases the potential for improper lease payments to the OFMS. The agency's vehicle management and accounting functions must interact to ensure that the vehicles that employees use in the course of business are the same vehicles identified for financial reporting purposes.

Finding

Corrections should develop and implement controls to facilitate interaction between the agency's vehicle management function and accounting function to ensure that the vehicles the agency owns and uses are the same as the vehicles included in FAACS for financial reporting purposes. Furthermore, Corrections should develop and implement controls to ensure that the agency accurately accounts for vehicles leased from the OFMS and that Corrections' inventory of leased vehicles reconciles with the OFMS's records of vehicles leased to Corrections.

DOC Response:

<u>Fuel Cards</u> DOC will perform a cost benefit analysis on the Fuel Cards finding and implement policy and procedures contingent on the results of the analysis.

<u>Vehicle Inventory</u> DOC will modify existing spreadsheet to reflect FAACS ID numbers on each vehicle. Additionally, DOC policy and procedures will be revised to reflect this mandatory verification.

Management Plan for Corrective Action:

<u>Fuel Cards</u> The Department of Corrections will perform a cost benefit analysis to determine if the Agency's cost to perform monthly reconciliations of fuel card charges is greater than potential dollars lost through fuel card misuse or erroneous charges. Once this analysis is completed, DOC will determine which option provides the greatest financial benefit either by 1) justify the decision to accept the risk of potential fuel card abuse/errors or 2) justify the costs associated with a complete monthly reconciliation. DOC will at that time rewrite DOC policy to reflect the outcome of the CBA and implement the new policy.

<u>Vehicle Inventory</u> The DOC General Services will modify its inventory spreadsheet to reflect the identification of individual vehicles by agency FAACS numbers by the addition of a FAACS number column on the spreadsheet. DOC General Services will require the review of agency FAACS numbers on the GSU spreadsheet against individual facility FAACS ID numbers for each vehicle annually. Each facility will receive a vehicle listing from GSU and will verify all vehicles belong to the facility as listed and will verify that all FAACS numbers are correct. GSU will semi-annually verify the DOC agency POOL CAR inventory against State Fleet pool vehicle inventory of DOC leased vehicles. DOC will revise policy and procedures to reflect this mandatory verification.

Additionally, the Agency is changing the way it manages its fleet. A transition process has begun to establish a central fleet assigned to Headquarters with vehicles deployed to field facilities or units. Purchase, replacement, outfitting, tracking, assignment and recall will all be handled centrally in the future. Offender transport vehicles reflect the largest sub-pool of vehicles. All Offender transport vehicles have been reviewed; the oldest vehicles with significant mechanical issues have been removed from the fleet; and the number down-sized. The next phase will include a review of vehicles assigned to K-9 Officers and administrative staff.

Responsible Parties:

Fuel Cards DOC Budget Unit in coordination with General Services and facility staff will perform cost benefit analysis. Upon completion of the analysis, GSU manager will modify DOC policy and procedures and ensure the implementation or required actions.

Vehicle Inventory GSU manager will modify DOC policy and procedures and ensure the implementation or required actions.

Estimated Completion Date:

Fuel Cards December 31, 2011

Vehicle Inventory October 1, 2011

Improve Controls and Processes Surrounding Fixed Asset Accounting and Control Systems

Corrections does not consistently record capital assets in the Fixed Asset Accounting and Control System (FAACS) in accordance with the Commonwealth Accounting Policies and Procedures (CAPP) Manual and the agency's policies and procedures. Corrections has a decentralized fiscal operation and as a result, employees at multiple locations are responsible for recording capital assets in FAACS. The Fiscal Officer at each location must ensure there is a process to identify applicable assets and enter them into FAACS.

We found 5 out of 31 transactions resulted in purchased assets that the central office or facilities did not record in FAACS. For one of these transactions, the Central Office purchased telecommunications equipment for multiple facilities, but the central office did not notify the facilities of the purchases or provide them with the information they needed to record the asset in FAACS. Another transaction was for belt elevators installed at the Flash Freeze operation, which was previously under the authority of Southampton Correctional Center. When Southampton closed, Deerfield assumed responsibility of the Flash Freeze operation and FAACS input of related assets, and the agency never recorded these items in FAACS. For a third transaction, Deerfield purchased a vehicle in September 2009 for use by Corrections' Environmental Services Unit. This unit is under a central Corrections agency code and was responsible for recording the vehicle in FAACS; however, the Unit never recorded the item. For the fourth transaction, Greensville Correctional Center purchased fence security equipment, and the facility neglected to record the asset in FAACS. The final transaction was for work the Central Virginia Correctional Field Unit performed to prepare and put in place trailers for use. The Field Unit capitalized the trailer, but did not include the costs associated with putting the asset into operation as required by accounting policies. In total, there were 15 items worth $167,000 not recorded in FAACS.

Three of the exceptions identified occurred under unusual circumstances where one facility or unit purchased the items but a different entity recorded the items in FAACS. For the remaining exception, the facility that purchased the item also neglected to record the item in FAACS. Based on our review, Corrections' does not have adequate procedures in place to designate responsibility for recording items in FAACS, specifically in circumstances where one entity purchases an asset, but the asset is assigned to a different location. Furthermore, the entities involved do not communicate to ensure that the responsible party records the items purchased in FAACS. Failure to properly record assets in FAACS could result in inaccurate financial reporting of agency assets for the Commonwealth's financial statements.

Corrections should strengthen its procedures to clarify responsibility for entering items in FAACS when multiple units or locations are involved. Additionally, the Budget Office, which is responsible for agency FAACS training, should evaluate the need to provide additional training to employees in other units or at other agency locations to ensure that all employees responsible for identifying capital assets and recording assets in FAACS have the knowledge necessary to fulfill these responsibilities.

DOC Response: DOC will develop operating procedures to clarify responsibility for entering items in FAACS when multiple units or locations are involved. The Department will also develop procedures to strengthen the Chief Financial Officer's responsibility as it relates to oversight for Central Office agencies.

Management Plan for Corrective Action: DOC will require that, in the case of central procurements for multiple locations, that the originating unit, will provide a copy of all documentation necessary to enter the asset(s) into FAACS to the applicable Business Office or designated responsible party within 30 days of acceptance of the asset.

In the case of the Central Agencies, the Budget Office will develop internal operating procedures for those units who do not have access to CARS 0426 or CARS 0463 reports thereby improving the probability that assets are recorded in FAACS.

Responsible Parties:
Louis Eacho, Financial Management and Reporting Unit Manager

Estimated Completion Date:
Policy changes and development of internal procedures to be accomplished by December 30, 2011.

DEPARTMENT OF CORRECTIONS RESPONSES AND MANAGEMENT'S CORRECTIVE ACTION PLANS

Perform CIPPS to CARS Reconciliation

After processing payroll, Corrections' Central Office does not perform a CIPPS to CARS reconciliation for the Department's central agency or for those agencies over which the Central Office has responsibility. These agencies account for 20 percent of Corrections' annual payroll, which totals approximately $700 million. State policies require all agencies to perform a post-certification audit of payroll to determine that staff recorded expenses to the correct programmatic codes. CIPPS to CARS reconciliation can reveal discrepancies or errors in one or both systems. Discrepancies and errors can cause budget and accounting issues by charging expenses to improper fund, program, and account codes.

Corrections has not been performing this reconciliation due to the volume and complexity of the expenses. However, the importance of performing this reconciliation increases as the payroll coding structure becomes more complex due to the increased risk of misclassification. Corrections' Central Office should perform a CIPPS to CARS reconciliation after processing payroll in order to monitor their payroll expenses and ensure the information in both systems is accurate.

DOC Response: The Department of Corrections acknowledges the Commonwealth Accounting Policies and Procedures (CAAP) Manual requires that an audit of payroll expenditures charged to CARS "should" be performed.

Management Plan for Corrective Action: The actions listed below will ensure each individual in PMIS is properly coded in CIPPS, as well as guarantees CIPPS expenditures reconcile to CARS. Combined, this function will reveal any discrepancies or errors in either CIPPS or CARS in regards to payroll.

- Each month the Accounts Receivable and Payable Unit performs a summary dollar reconciliation between CIIPS (UO33 report) and CARS.
- Each quarter the Payroll Unit performs a CARS coding reconciliation in CIPPS to PMIS.

Responsible Parties:
Ravenna Cousins (Assistant Accounting Manager) – Monthly CIPPS to CARS summary reconciliation.
Anita Palmore (Payroll Manager) – Quarterly CIPPS to PMIS reconciliation.

Estimated Completion Date:
Completed. Monthly and Quarterly reconciliations have been performed since September 30, 2010.

DEPARTMENT OF CORRECTIONS

Harold W. Clarke, Director

John Jabe, Deputy Director, Operations

N.H. “Cookie” Scott, Deputy Director, Administration

Malcolm L. Taylor, Acting Deputy Director, Community Corrections

H. Paul Broughton, Director of Human Resources

Louis Eacho, Fiscal Officer

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