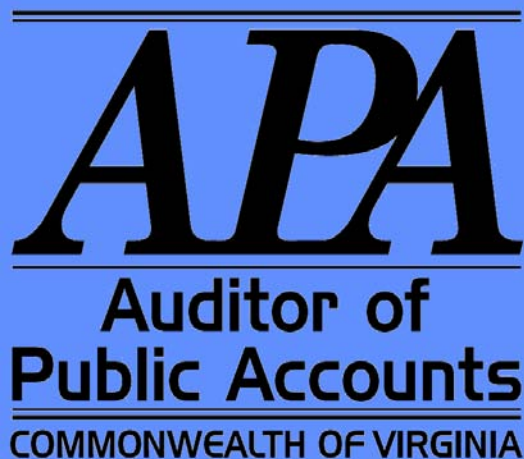


**DEPARTMENT OF CORRECTIONAL EDUCATION**

**REPORT ON AUDIT  
FOR THE TWO-YEAR PERIOD ENDED  
JUNE 30, 2008**



## **AUDIT SUMMARY**

Our audit of the Department of Correctional Education, for the two-year period ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- one matter involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

The internal control matter is reported fully in the section entitled "Audit Findings and Recommendations."

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## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve Controls over Systems Access

The Department of Correctional Education does not have adequate procedures to ensure the removal of employee access to the Commonwealth Integrated Payroll/Personnel System (CIPPS) upon termination of employment. We found three individuals with access to CIPPS up to six months after termination of employment.

A lack of proper internal controls over CIPPS access exposes Correctional Education to the potential risk of unauthorized viewing and changes to sensitive employee leave and payroll data. While Correctional Education has implemented an Employee Departure Form to ensure the removal of access to other Commonwealth of Virginia systems, Correctional Education should also include CIPPS access.

## AGENCY HIGHLIGHTS

The Department of Correctional Education (Correctional Education) is an independent school district with its own school board that operates in cooperation with the Departments of Corrections and Juvenile Justice. Correctional Education serves as Virginia's statewide prison education system for youth and adult offenders assigned to 39 adult correctional centers, six correctional field units, four work centers, two adult detention centers, four adult diversion centers, four adult reception centers, six juvenile correctional centers, and one youth reception center. The juvenile schools are accredited, and all teachers and administrators must meet the same certification and endorsement standards established for public school personnel by the Virginia Department of Education.

Correctional Education provides testing and educational assessments for all youth and adults, as well as mandated special education evaluation and services for identified youth and adult inmates. The schools provide mandated middle and secondary-level academic instruction, special education, social skills, transition education, cognitive skills development, General Educational Development (GED) instruction, and career and technical instruction to the total youth population in 22 different trade areas. It administers SAT college preparation tests and assists those students who wish to apply to colleges and universities, while providing adult education, literacy instruction, special education, social skills, GED instruction, and vocational instruction in 37 different trade areas to the adult population.

Correctional Education programs help individuals to realize their potential and become productive members of society. Adult inmates and youth offenders have the opportunity to be literate when they leave the prison or juvenile correctional center. The focus on instruction enhances each student's employment possibilities and life skills and aids in transitioning students into the job market and their communities upon release.

The following schedules provide information on the operating budget and expenses for fiscal years 2007 and 2008.

### Analysis of Budgeted and Actual Funding by Funding Source – Fiscal Year 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Funding Source			
General Fund Appropriations	\$52,799,998	\$53,103,767	\$53,103,767
Special Revenue Funds	69,770	179,747	84,141
Federal Funds	<u>1,839,424</u>	<u>2,407,338</u>	<u>2,227,538</u>
Total Resources	<u>\$54,709,192</u>	<u>\$55,690,852</u>	<u>\$55,415,446</u>

### Analysis of Budgeted and Actual Funding by Funding Source – Fiscal Year 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
Funding Source			
General Fund Appropriations	\$57,811,118	\$59,868,510	\$59,868,510
Special Revenue Funds	170,536	170,536	95,769
Federal Funds	<u>2,239,424</u>	<u>2,257,960</u>	<u>2,194,982</u>
Total Resources	<u>\$60,221,078</u>	<u>\$62,297,006</u>	<u>\$62,159,261</u>

During the course of fiscal year 2007, Correctional Education's budget increased over \$980,000. The agency received approximately \$2 million in general funds for increases in salaries and benefits and then transferred \$1.7 million out of the agency to cover the costs of the movement of the July 2006 payroll. In addition, the agency also received \$400,000 in non general funds for additional federal grant funding.

During the course of fiscal year 2008, Correctional Education's budget increased over \$2 million. The agency received over \$4 million general fund dollars for increases in salaries and benefits, which was then reduced by \$1.8 million as a result of the Governor's 2008 reduction plan.

There was a \$5.5 million increase in the FY08 original budget when compared to the FY07 original budget. The majority of this increase comes from general fund appropriations of \$4.2 million for educational programs and services for adult inmates at the Pittsylvania State Prison at Chatham, and the Tazewell State Prison at Pocahontas. This appropriation includes funds for additional programs and 12 new staff positions at both facilities.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

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

April 14, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Department of Correctional Education** for the period July 1, 2006 through June 30, 2008. 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 objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of Correctional Education's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Correctional Education'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, automated and manual, sufficient to plan the audit. We considered materiality and control 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.

Payroll expenditures  
Small purchase charge card  
Fixed assets

We performed audit tests to determine whether Correctional Education'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 Correctional Education's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that Correctional Education properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. Correctional Education records its 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.

We noted certain matters involving internal control and its operation that require management's attention and corrective action. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. The internal control matters are described in the section entitled "Audit Findings and Recommendations."

Correctional Education 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 April 14, 2009. Management's response has been included at the end of this report.

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

TDM:alh





# COMMONWEALTH of VIRGINIA

## *Department of Correctional Education (DCE)*

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Superintendent of Schools

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April 21, 2009

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

Dear Sir:

We are providing this letter as a response to your findings with the audit of the Department of Correctional Education for the period between July 1, 2006, and June 30, 2008.

The Department of Correctional Education concurs with your recommendation concerning internal controls. You have recommended that the agency develop and implement procedures to ensure removal of CIPPS access upon employee termination. As of April 21, 2008, the agency has eliminated access to CIPPS for those people who were not required to have it. The Agency has also developed and implemented additional procedures to ensure removal of system access upon employment termination.

Thank you and your staff for your advice and cooperation during the audit, and with kindest regards, I am.

Sincerely,

A handwritten signature in black ink, appearing to read "Walter A. McFarlane", written over a horizontal line.

Walter A. McFarlane  
Superintendent

## AGENCY OFFICIALS

Department of Correctional Education

Walter MacFarlane, Superintendent

Jeanette Wade, Director of Finance

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