

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
DEPARTMENT OF CORRECTION  
FISCAL YEARS ENDED JUNE 30, 2012 AND 2013*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

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May 10, 2017

### **AUDITORS' REPORT DEPARTMENT OF CORRECTION FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

We have audited certain operations of the Department of Correction (DOC) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could

occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Correction.

## **COMMENTS**

### **FORWARD**

The Department of Correction operates under Title 18, Sections 18-7 through 18-107 of the General Statutes. It defines its mission as protecting the public, protecting staff, and providing safe, secure and humane supervision of offenders with opportunities that support successful community reintegration.

The department is headed by a commissioner who is responsible for the administration, coordination, and control of the department operations, including the overall supervision and direction of all institutions, facilities, and activities of the department. Leo C. Arnone served as commissioner from July 30, 2010 until his retirement on March 31, 2013. He was immediately succeeded by James E. Dzurenda who served as commissioner until his retirement on August 31, 2014.

Agency business operations are located within its administrative offices in Wethersfield. The department operates the following 16 correctional facilities that include correctional institutions (CI) and correctional centers (CC):

Bridgeport CC  
Brooklyn CI

Manson Youth Institution  
New Haven CC

Cheshire CI	Niantic Annex
Corrigan-Radgowski CC	Northern CI
Enfield CI	Osborn CI
Garner CI	Robinson CI
Hartford CC	Williard-Cybulski CI
MacDougall-Walker CI	York CI

The department closed one institution during the audited period, Bergin CI, as of August 12, 2011. The closure was due to declining inmate populations and agency budget reductions.

Correctional centers serve primarily as jails, acting as intake facilities for unsentenced males and for the confinement of males with shorter sentences. The Manson Youth Institution is used for confining male inmates between the ages of 14 and 21. The York Correctional Institution is used for sentenced and unsentenced female prisoners with all other correctional institutions and annexes generally incarcerating male inmates with sentences greater than 2 years.

Each facility is established at one of 4 levels of security ranging from level 2 (low security) to level 5 (high security). Level 1 is for inmates who have been released into the community but are still in the custody of the department.

According to department statistics, the total incarcerated population as of June 30, 2013, was 16,988, consisting of 15,840 males and 1,148 females. In addition to incarcerated inmates, the department oversaw 3,920 level 1 inmates released into the community as of June 30, 2013.

### **Board of Pardons and Paroles**

The Board of Pardons and Paroles operates under the provisions of Section 54-124a of the General Statutes. The Board of Pardons and Paroles is an autonomous body, which is within the Department of Correction for administrative purposes only and was established to provide independence over pardon and parole decisions. The board has 20 members consisting of 1 chairperson, 7 pardons members, and 12 parole members. The members are appointed by the Governor with the advice and consent of both houses of the General Assembly.

The appointed board members at June 30, 2013, were as follows:

Erika Tindill, Esq., Chairperson	
Pardons Members:	Parole Members:
Joseph Elder	David McCluskey
Joseph E. Milardo, Jr.	Robert A. Murphy
Russell S. Palmer	John R. O'Connor
Nicholas F. Sabetta	Foye A. Smith
Robert B. Smith	Remi Acosta, Jr.
Julia Wasserman	David J. May

One vacancy

Pamela Richards  
Kelly Smayda  
Jennifer M. Zaccagnini  
Three vacancies

### **Legislative Changes**

Public Act 13-69, effective July 1, 2013, makes a number of changes regarding compensation that inmates earn performing jobs. Among other things, it (1) requires the Department of Correction commissioner to perform the duties associated with inmate compensation previously performed by individual facility administrators, (2) eliminates the requirement that each inmate have an individual bank account and instead requires the commissioner to direct inmate compensation to a bank account or an account that the state treasurer administers, (3) allows the commissioner to collect, as part of an inmate's cost of incarceration, a fee for participating in any job training, skill development, career opportunity or enhancement program, and (4) requires the commissioner to make the inmate labor pilot program consistent with governing federal guidelines and makes changes to how program participant compensation is handled.

## **RÉSUMÉ OF OPERATIONS**

### **General Fund Revenues and Receipts**

A summary of General Fund revenues and receipts during the audited period and the preceding year is presented below:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Recoveries – Inmate Cost of Incarceration	\$4,547,847	\$4,601,732	\$4,576,654
Child Nutrition Program	964,750	957,717	773,886
All Other Revenues and Receipts	<u>1,640,275</u>	<u>1,851,391</u>	<u>1,980,407</u>
<b>Total Revenues and Receipts</b>	<b><u>\$7,152,872</u></b>	<b><u>\$7,410,840</u></b>	<b><u>\$7,330,947</u></b>

General Fund receipts consisted primarily of recoveries of cost of incarceration collected by the Office of the Attorney General and the Department of Administrative Services Collection Services. Federal Child Nutrition Program revenues and reimbursements from the United States Marshals for board of federal detainees were also primary sources of revenue.

### **General Fund Expenditures**

A comparison of General Fund expenditures for the fiscal years under review and the preceding year follows:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Personal Services and Employee Benefits:			
Salaries and Wages	\$344,428,613	\$343,264,882	\$319,643,935
Overtime	71,213,761	72,025,312	73,196,680
Meal Allowance	10,601,713	10,521,201	10,021,901
Worker Compensation Awards	26,984,568	26,836,715	26,440,868
All other	<u>12,660,914</u>	<u>11,988,432</u>	<u>13,591,725</u>
Total Personal Services and Employee Benefits	<u>\$465,889,569</u>	<u>\$464,636,542</u>	<u>\$442,895,109</u>
Purchases and Contracted Services:			
Contractual Services – Medical Fees	93,518,711	91,037,478	77,429,399
Premises and Property Expenses	39,543,081	37,154,328	37,177,472
Client Services	39,954,451	40,549,121	39,863,296
Commodities – Food	15,784,768	16,583,358	16,946,593
Commodities – All Other	7,636,022	7,428,095	8,165,273
All other	<u>13,688,185</u>	<u>13,517,704</u>	<u>13,026,374</u>
Total Purchases and Contracted Services	<u>\$210,125,218</u>	<u>\$206,270,084</u>	<u>\$192,608,407</u>
<b>Total Budgeted Accounts</b>	<b><u>\$676,014,787</u></b>	<b><u>\$670,906,626</u></b>	<b><u>\$635,503,516</u></b>

Budgeted account expenditures decreased by \$5,108,161 (0.8%) and by \$35,403,110 (5.3%) during the fiscal years ended June 30, 2012 and 2013, respectively, compared to the fiscal year ended June 30, 2011. Personal services, along with employee benefits and contractual services – medical fees (for inmate healthcare costs) accounted for the majority of expenditures during the audited period.

The decrease in personal services costs in the 2012-2013 fiscal year was primarily the result of a reduction of 346 full-time correctional officers (from 3,842 to 3,496) during the audited period. The decrease in personnel was the result of a facility closure. Savings were also achieved by budgetary cutbacks and a wage freeze. In fiscal year 2011-2012, the decrease was offset by salaries and wages of 27 pay periods, 1 more than the customary 26 pay periods.

The \$16,089,312 decrease in expenditures for Contractual Services – Medical Fees reflected a federal rule change allowing states to seek Medicaid reimbursement for medical services and reduced pharmaceutical costs for eligible prisoners. These expenditures consisted almost exclusively of payments to the University of Connecticut Health Center under a memorandum of understanding to provide a comprehensive managed health care program for inmates.

**Special Revenue Fund - Federal and Other Restricted Accounts**

Federal and other restricted account receipts for the fiscal year ended June 30, 2012 and 2013, totaled \$4,229,688 and \$4,196,577 consisting mainly of federal aid and grant transfers.

A comparison of expenditures from federal and other restricted accounts for the fiscal years under review and the preceding year follows:

	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>
Personal Services and Employee Benefits:			
Salaries and Wages	\$1,013,806	\$ 894,339	\$ 791,334
Employee Benefits	506,741	473,135	502,352
All other	<u>21,130</u>	<u>26,626</u>	<u>79,838</u>
Total Personal Services and Employee Benefits	<u>\$1,541,677</u>	<u>\$1,394,100</u>	<u>\$1,373,524</u>
Purchases and Contracted Services:			
Information Technology	527,642	275,753	478,438
Purchased Commodities	477,910	489,752	716,974
Capital Outlays – Equipment	960,468	248,692	1,031,301
Premises and Property Expenses	68,507	567,939	127,444
All other	<u>769,356</u>	<u>1,035,424</u>	<u>713,957</u>
Total Purchases and Contracted Services	<u>\$2,803,883</u>	<u>\$2,617,560</u>	<u>\$3,068,114</u>
<b>Total Federal and Other Restricted Accounts</b>	<b><u>\$4,345,560</u></b>	<b><u>\$4,011,660</u></b>	<b><u>\$4,441,638</u></b>

Federal and other restricted accounts expenditures were relatively stable during the audited period.

The increase in the Premises and Property Expenses in the 2011-2012 fiscal year was due to 2 engineering/maintenance projects for (1) renovations to production and kitchen flooring at York CI, and (2) an energy management system installed at Corrigan-Radgowski CI. The increase in the Capital Outlays-Equipment category in the 2012-2013 fiscal year was from a video technology grant to purchase equipment to enhance video conferencing in the prison system.

### **Other Special Revenue Funds**

Other special revenue fund expenditures include \$2,609,754 and \$1,322,381 for renovation projects from the Capital Improvement and Other Purpose Fund, and equipment purchases made through the Capital Equipment Purchases Fund totaling \$850,741 and \$1,658,803 during the respective audited years.

Additionally, expenditures totaling \$750,062 were made from the Grants to Local Governments Fund for reimbursement of road improvements to the Town of Enfield.

### **Correctional Industries Fund**

The Correctional Industries Fund accounts for the operations of Correctional Enterprises of Connecticut (CEC) and inmate commissaries. Through the use of inmate labor, CEC produces goods and services that are sold primarily to other state agencies. CEC may also sell items to

other governmental agencies and private nonprofit entities. During the audited period, approximately 69% of CEC sales were to the Department of Correction. The inmate commissaries sell various personal supplies and food items to inmates. Monies are transferred from individual inmate fund accounts to the Correctional Industries Fund when inmates purchase commissary items. A summary of cash receipts and disbursements for the fund during the audited period follows:

	<u>CEC</u>	<u>Commissary</u>	<u>Total</u>
<b>Cash Balance, July 1, 2011</b>	<b>\$ 1,843,025</b>	<b>\$ 992,659</b>	<b>\$ 2,835,684</b>
Receipts	6,921,225	15,728,077	22,649,302
Disbursements	(6,298,888)	(14,964,497)	(21,263,385)
Transfers	<u>-0-</u>	<u>411</u>	<u>411</u>
<b>Cash Balance, June 30, 2012</b>	<b>2,465,362</b>	<b>1,756,650</b>	<b>4,222,012</b>
Receipts	7,621,254	16,053,587	23,674,841
Disbursements	(7,545,587)	(15,447,495)	(22,993,082)
Transfers	<u>-0-</u>	<u>419</u>	<u>419</u>
<b>Cash Balance, June 30, 2013</b>	<b><u>\$ 2,541,029</u></b>	<b><u>\$ 2,363,161</u></b>	<b><u>\$ 4,904,190</u></b>

The increase in cash balances during the audited period was primarily due to increased sales in CEC and Commissary operations.

### **Per Capita Costs**

The weighted average daily per capita cost for the operation of correctional facilities, as calculated by the State Comptroller for the 2011-2012 and 2012-2013 fiscal years was \$139 and \$145, respectively.

### **Fiduciary Funds**

The department maintains 2 fiduciary funds, a Special Projects Activity Fund and an Inmate Trust Funds. Activity funds operate under the provisions of Sections 4-52 through 4-57a of the General Statutes. The Special Projects Activity Fund accounts for various minor inmate events. Inmate funds are custodial accounts for inmates' personal monies.

According to department financial statements, cash and cash equivalents as of June 30, 2013, totaled \$52,517 for the Special Projects Activity Fund and \$3,021,120 for the Inmate Trust Funds.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our review of the financial records of the Department of Correction disclosed certain areas requiring attention, as discussed in this section of this report.

### **Payroll / Personnel**

*Criteria:*

1. Time and Attendance Records
  - a. Timesheets – Proper internal control requires that time and attendance records be signed by the employee and a supervisor upon completion of the corresponding pay period.
  - b. Overtime Sheets – The department's Administrative Directive 2.15, Section 16, requires an overtime signature sheet to be completed for each shift. Employees sign off on the sheet and the sheets are sent to the unit administrator for review and approval.
2. Acknowledgment of State Computer Policies – State and agency policies require the department to obtain signed, formal acknowledgements from employees indicating they understand and agree to abide by the policies governing the use of state computers.
3. Training – Department Administrative Directive 2.7 requires employees to obtain a specified number of hours of in-service training each year.
4. Evaluations – According to Section 5-237-1 of the state personnel regulations, an annual evaluation is to be filed for each employee at least three months prior to the employee's annual increase date.
5. Sick Leave
  - a. Monitoring of Sick Leave – According to Section 7 of the department's Administrative Directive 2.11, the attendance records of all employees are to be periodically reviewed. In reviewing absenteeism, supervisors are to consider the number of occasions, pattern of absence, and prior attendance records. The department outlines procedures for addressing attendance issues identified.
  - b. Funeral Leave – Section 6 of the department's Administrative Directive 2.11 permits sick leave to be used for funerals if prior approval is obtained. State personnel regulations and

bargaining unit agreements dictate the number of days allowed per year.

- c. Sick Family – Under Section 5-247-11 of the state personnel regulations, employees are permitted to use sick leave in the event of a critical illness or severe injury to a member of the immediate family creating an emergency.
  - d. Medical Appointments – State personnel regulations require a medical certificate to be submitted to substantiate sick leave if absence recurs frequently or habitually. In addition, section four of the department’s Administrative Directive 2.11 requires a medical certificate to be submitted for any medical appointment in excess of one half of a workday.
  - e. Medical Certificates – According to Section 5-247-11 of the state personnel regulations, a medical certificate is to be submitted to substantiate a period of sick leave consisting of more than 5 consecutive working days. The statewide Family and Medical Leave Policy sets forth procedures for requesting a leave under the Family and Medical Leave Act (FMLA). The policy outlines the forms required and the deadlines for submitting the forms.
- 6. Compensatory Time – Section 12 of the department’s Administrative Directive 2.8 requires managerial employees to obtain advance authorization to receive compensatory time. Compensatory time is to be expired in accordance with agency policies and collective bargaining agreements.
  - 7. Workers’ Compensation – An employee incapacitated from work and eligible for wage replacement benefits is to be paid indemnity in accordance with the Workers’ Compensation Act. A claim packet is to be completed to document the facts of a reported claim.
  - 8. Overtime – The bargaining unit agreements for correctional supervisors and officers dictate the specific procedures for assigning overtime. All employees interested in working overtime sign a quarterly overtime list. Correctional officers also record their availability in sign-up books. When overtime is needed, it is offered to available employees in order from those with the lowest to the highest overtime hours. Section 16 of the department’s

Administrative Directive 2.15 requires the facilities to maintain overtime call sheets.

*Condition:*

1. Time and Attendance Records
  - a. Timesheets – From payroll testing of 40 employees, we noted 4 timesheets that were not properly signed. Two were signed before the end of the pay period, 1 lacked a supervisor signature, and 1 lacked a date of signature by the employee and supervisor.
  - b. Overtime Sheets – Our review revealed that 2 overtime signature sheets of 8 employees tested lacked employee signatures.
2. Acknowledgment of State Computer Policies – Through our review, we found that 10 of 20 personnel files lacked documentation from employees acknowledging their understanding of state or agency computer policies.
3. Training – Our review of 40 employees revealed that no unified system existed to track training for employees. Therefore, we were unable to obtain an accurate total of employee training hours to determine whether employees met their required annual training hours as established in the department’s administrative directive.
4. Evaluations – We noted that evaluations were not on file for 17 of 40 employees tested. We also noted that 12 employees received annual increases without current evaluations on file. In addition, we found that 4 evaluations were signed by required personnel between 1 and 6 months late.
5. Sick leave –
  - a. Monitoring of Sick Leave – Our review revealed 6 instances of 20 employees tested in which supervisors failed to adequately monitor employee use of sick leave. We noted that 6 employees continuously charged sick leave on days immediately preceding or following scheduled days off, but no medical notes were on hand to justify the sick leave.
  - b. Funeral Leave – No evidence of prior approval was on file to support 21 days of funeral leave charged by 5 employees. We further noted questionable patterns in the use of funeral leave, with leave frequently occurring on weekends, holidays, and on multiple occasions in a short period of time.

- c. Sick Family – There appears to be a lack of monitoring for the potential abuse of sick family time within the agency. Of the 126 sick family days charged by the 20 employees in the audit sample, we noted 90 (71%) of the days were charged on days immediately preceding or following a scheduled day off, on a Saturday or Sunday, or on a holiday.
  - d. Medical Appointments – No medical certificates were on file to support the sick leave charged by 5 employees for recurring medical appointments or medical appointments in excess of ½ of a workday. During the audited period, 1 of the 5 employees charged a total of 90.5 hours on 49 separate occasions for sick appointments and another employee charged a total of 67 hours on 27 separate occasions for appointments in fiscal year 2013.
  - e. Medical Certificates – Our review of 10 leaves of absence revealed that 8 leaves were not sufficiently supported by available agency documentation. Three medical certificates were missing and two were submitted late. In addition, there were 5 instances in which a required FMLA form was either missing or incomplete.
6. Compensatory Time – For the 9 instances that we tested, compensatory time was not deducted in cases in which the time had expired. Furthermore, 2 employees were enrolled in improper leave plans. We also noted 1 instance in which a managerial employee did not receive prior authorization to earn compensatory time.
  7. Workers' Compensation – We reviewed 6 workers' compensation claims and found that 4 claims were not supported by properly completed workers' compensation documents. The deficiencies included a lack of an employee signature and incomplete information.
  8. Overtime – Our review of the overtime records of 10 employees from 8 different facilities revealed the following:
    - Due to insufficient documentation, we could not verify that 115 hours (\$3,966) of overtime earned by 7 correction officers and lieutenants were distributed in accordance with bargaining unit agreements.

- Of the 8 correctional facilities tested, 7 could not provide the quarterly overtime lists, 5 could not provide the sign-up books, and 5 could not provide the call sheets. These records were destroyed in accordance with the department's records retention schedule that permits such records to be destroyed after 1 year. As noted in our previous report, this procedure prohibits compliance with Section 2-90(g) of the General Statutes, which requires all records to be available for audit by the Auditors of Public Accounts upon demand.

*Effect:*

1. Time and Attendance Records – When attendance records are not properly reviewed or signed by employees and supervisors, there is an increased risk for errors and fraudulent activities.
2. Acknowledgment of State Computer Policies – When employees fail to acknowledge policies governing the use of state computers, the risk for improper use of such equipment increases.
3. Training – The department failed to provide employees with the training necessary to increase the overall proficiency of the workforce. Furthermore, without proper training hours, the department is not in compliance with Administrative Directive 2.7 and various bargaining unit contracts, which could lead to possible litigation issues.
4. Evaluations – The department is not in compliance with state personnel regulations governing annual evaluations. In addition, the lack of current evaluations increases the risk that employees will improperly receive salary increases.
5. Sick Leave – Failure to adequately monitor sick leave could result in abuse and limit the overall ability of the department to function properly. In addition, the use of sick leave by staff in correctional institutions often creates the need for overtime, which increases state spending.
6. Compensatory Time – When compensatory time is not properly deducted upon expiration, employees may be using time to which they are not entitled. Without prior supervisory approval, compensatory time may be unjustifiably earned.
7. Workers' Compensation – The lack of signatures and claim information increases the risk for errors and fraudulent activities.

8. Overtime – Without the supporting records, we could not verify that overtime was distributed to correctional supervisors and officers in accordance with bargaining unit agreements.

*Cause:* The incomplete and missing documentation, deficient training hours, inadequate monitoring of sick leave, unexpired compensatory time, and incomplete workers' compensation documents all appear to be the result of a lack of management oversight and improperly implemented internal controls.

*Recommendation:* The Department of Correction should improve oversight over the enforcement of certain payroll and personnel procedures and practices. (See Recommendation 1.)

*Agency Response:* “1. Time and Attendance Records - The agency agrees with these findings.

a. Timesheets - However, we note that there are instances where this is acceptable when an employee works off site and will be away at the end of the payroll cycle and may submit their time sheets to their supervisor early due to scheduling conflicts. This may also occur when the employee has a preapproved vacation planned and will be unavailable to submit time sheets at the end of the cycle for timely payroll processing.

b. Overtime Sheets - The department's human resources unit will send a reminder to facility operations to ensure overtime records are signed by the employee and the unit administrator for review and approval.

2. Acknowledgment of State Computer Policies - The agency agrees with this finding. The department will take necessary measures to ensure that all employees sign the policy if the employees have access to state computers. However, please note that correction officers do not have regular use of computers.

3. Training - Training Hours and Record Keeping – The agency agrees with this finding. Based on the discrepancies that were found between the training hours and records it was noted that employees were reporting training hours to their supervisors but were not being accurately kept for record keeping purposes. The Directors of Human Resources (HR) and the Maloney Center for Training and Staff Development worked together to develop a form that must be completed by the employee and supervisor and upon completion of

training, forwarded to the academy for accurate record keeping. Training requirements are being monitored by the academy.

4. Evaluations - The agency agrees with this finding. Wardens, directors and supervisors have been reminded of outstanding evaluations and the need to have them completed timely. The agency acknowledges that there are still issues with regard to the timely completion of evaluations. This is based on the loss of resources (positions that we have been lost due to budgetary restrictions) which makes it more difficult in tracking usage of time. Previous memorandums issued by HR will be reevaluated and sent out to directors and unit heads in the near future.

5. Sick Leave -

a. Monitoring of sick leave - The agency agrees with this finding. Sick leave monitoring is done by the immediate supervisors and biweekly reports are submitted to the facilities and units by HR for review. Sick leave is reviewed by HR also for proper implementation of state and federal FMLA. The agency acknowledges that there are still issues with regard to the monitoring of sick leave usage and this is based on the loss of resources (positions that have been lost due to budgetary restrictions) which makes the tracking of usage of time more difficult. Previous memorandums issued by HR will be reevaluated and sent out to directors and unit heads in the near future.

b. Funeral leave - Due to a lack of resources the agency acknowledges that there are deficiencies in all of these areas and the tasks of ensuring that the leaves are taken appropriately have fallen behind by all involved including supervisors and the human resources department. This task will also become more difficult as the agency is facing more budgetary constraints and staffing limitations in Human Resources will severely impact the auditing of these leave areas. Human Resources will however work with the facility/unit department heads to ensure that leave is taken according to the collective bargaining agreements, administrative directives and or governing statutes for managerial and appointed individuals.

c. Sick family - As this falls under the use of sick leave, please note response under funeral leave.

d. Medical appointments - As this falls under the use of sick leave, please note response under funeral leave.

e. Medical certificates - As this falls under the use of sick leave, please note response under funeral leave.

6. Compensatory Time - The agency agrees with these findings. Expiration of Compensatory Time - The audit confirms that expiration of compensatory time is not expiring according to specific bargaining unit (BU) agreements and the management personnel policy. The agency's review confirmed that compensatory codes in Core-CT are generic and do not always comply with specific bargaining unit language or the Management Personnel Policy. For example: parole officers in the NP4 BU states "Compensatory time earned during the 6 month period following July 1st must be used by June 30th the following year. Compensatory time earned during the 6 month period following January 1st must be used by December 31st of that year." However, in Core-CT compensatory time has one full year to be used before it expires i.e. earned 01/22/15 expires 01/22/16.

The DOC Payroll Manager contacted Core-CT to request that appropriate codes be setup so that compensatory time can expire automatically in accordance with contracts, regulations, etc. However, Core-CT does not have this capability, so the expiration of compensatory time must be manually deducted which often results in compensatory time not expiring according to contract. Core-CT informed the agency that they are currently in the midst of an upgrade and no additional changes or additions can be done at this time to the Core-CT system. DOC Payroll will manage the process to the best of its ability on a manual basis until this issue can be revisited with Core-CT. This will be time consuming given that the Payroll Unit has been processing two systems with the Atlas Roster Program having been initiated during this past year and processing Core-CT as the system of record. Staff shortages have greatly impacted normal business operations.

Two employees were enrolled in improper leave plans - The agency reviewed these two instances. With regard to the first instance, new coding sheets were completed by an HR Specialist for the staff person in question and the revision was sent to Payroll for processing on August 14, 2015. With regard to the second instance, the staff person in question is retired. As such no coding action was taken. A note was placed in the employee's file stating as such for future reference.

Prior authorization to earn compensatory time - An agency review of compensatory time for specific individuals identified by the APA found that compensatory time may have been conducted without prior approval and that the Management Personnel Policy 06-02 may not have been followed accordingly. The HR Unit will be issuing a

memorandum to the agency Director's and Unit Head's reinforcing the Personnel Policy.

7. Workers' Compensation (WC) - The agency agrees with this finding. WC payments are being reviewed by the WC HR Unit staff. The agency's human resource department will take measures to ensure that all documents have the appropriate signatures and that all information is filled in/completed on the documents necessary to process claims.

8. Overtime - The agency agrees with this finding and is taking the necessary measures to revise the administrative directives to include the appropriate retention periods governed by Section 2-90(g) of the General Statutes."

### **Inmate's Discharge Savings Accounts and Incarceration Cost Recoveries**

*Criteria:* Section 18-85a of the General Statutes, as amended by Public Act 13-69, allows for the department to set regulations for charging inmates for the cost of incarceration.

Section 18-84a of the General Statutes, as amended by Public Act 13-69, establishes a discharge savings account program funded by deductions of up to 10% on all deposits made to inmates' individual accounts, including monies received from work assignments. When an inmate's discharge savings account equals \$1,000, deductions of 10% on all deposits will be used to recover the inmate's costs of incarceration.

*Condition:* The department has not complied with statutory requirements dictating 10% be deducted from deposits made to inmates' accounts to fund a discharge savings account program or to recover the costs of incarceration.

*Effect:* The department has not been in compliance with statutory requirements.

*Cause:* The department has been unsuccessful in obtaining legislative changes they feel are needed to address accounting and other issues before implementing the statutory changes.

*Recommendation:* The Department of Correction should continue to take appropriate action to comply with statutory and regulatory requirements regarding the establishment of an inmate discharge savings account program and

the recovery of incarceration costs from inmates. (See Recommendation 2.)

*Agency Response:* “The agency agrees with this finding. Public Act 07-158 amended CGS Section 18-85 and various related sections to provide authority to the department to withhold ten percent of certain inmate receipts. The act, as written, left certain inconsistencies and created requirements that made implementation problematic. Public Act 13-69 amended subsection (a) of section 18-84a by adding the phrase “inmate sentenced to term of incarceration by a court of this state,” substituting “release from incarceration” for “discharge” and adding an exemption from the discharge savings requirement while an inmate is confined in a facility outside of the state. It also amended subsections (b) and (c) by substituting “credited” for “made” and made conforming and technical changes as well as amending subsection (d) by adding the provision regarding the disbursement upon an inmate’s release from incarceration not to be reduced by disbursement under Sections 18-85, 18-85b, 18-85c and 18-101. These changes addressed many of the issues preventing the implementation of the original act. However, certain technical hurdles remained, specifically regarding the agency’s electronic inmate banking system. The version of the software the agency was using did not have the needed functionality. Some modifications were able to be made to that system; however implementation at that time would have required a significant amount of manual activity and tracking. This was not practical or advisable at that time given the complexity of the activities involved and the level of available resources. The agency embarked on an upgrade to the entire inmate banking system in fiscal year 2014-2015. As part of that upgrade, issues with the discharge savings functionality were addressed allowing for implementation. The upgrade is in the final stages of acceptance. Once the system has been fully tested and accepted, discharge savings accounts will be implemented.”

### **Correctional Industries Fund**

*Criteria:* Amounts reported on an agency’s annual inventory report (CO59) should be reconciled to the amounts reported on the agency’s financial statements and Core-CT inventory reports. The Comptroller requires agencies to provide a written explanation for any discrepancies between the reports.

*Condition:* The agency’s CO59 report did not agree with the Correctional Industries Fund (CIF) balance sheet as of June 30, 2013, and the

variances were not reconciled. The equipment balance reported on the CO59 was \$5,465,730, which was \$565,187 less than the \$6,030,917 reported on the balance sheet for the fund's fixed assets, net of software, and building improvements.

The additions and deletions of equipment reported on the June 30, 2013 CO59 report did not agree with the Core-CT inventory reports. The differences were not explained in an attachment to the CO59 report as required by the Comptroller.

*Effect:* The department failed to comply with the Comptroller's instructions for property control. Unexplained differences between the CIF financial statements and the CO59 report may result in undetected losses.

*Cause:* It appears there was a lack of agency internal communication that led to unexplained discrepancies.

*Recommendation:* The Department of Correction should ensure that the Correctional Industries Fund inventory reports reflect actual inventory value and are prepared in accordance with the State Comptroller's guidelines. (See Recommendation 3.)

*Agency Response:* "The agency agrees with this finding. With regard to the discrepancy between the annual inventory report (CO59) and the Correctional Industries Fund (CIF) balance sheet, the differences in the amounts are the result of the following: The recording of fixed assets on the Core-CT general ledger versus Correctional Industries may differ based on the recognition of capital versus non-capital items, i.e. fencing is recorded on the CIF's record as capital and expensed in Core-CT as non-capital. The purchase of personal computers in Core-CT may not be capitalized based on how it was procured; CIF recognizes data processing equipment as a package (PC, monitor and attached devices) and is recorded as a capital asset in their records. Donated assets (i.e. sewing machines, etc.) are recorded in CIF at zero value (Core-CT recorded value then fully depreciated) while Core-CT maintains the initial recorded value.

Commencing in FY 2007, the CIF Accounting Unit reconciled the variances between the Core-CT EPM reports for purchased assets versus the fixes assets recorded on the CIF balance sheet.

The agency recognizes that there have been cases where assets have been retired in the Core-CT Inventory module and not on the CIF's financial records due to communication issues. The agency will

reinforce internal procedures to improve the notification process when writing off fixed assets.

The recording of inventory values on the CIF financial statements is in compliance with Generally Accepted Accounting Principles (GAAP).”

### **Payments for Educational and Consulting Services**

*Background:* Section 10-66a through 10-66q of the General Statutes provides for the establishment of a regional educational service center to provide educational services to member districts. The Capital Regional Education Council (CREC) is the service center for the Hartford area that works with local boards of education to improve the quality of public education. The department contracted with CREC to provide temporary employees in educational and consulting positions within the Unified School District 1, the legally vested school district within the department.

*Criteria:* The department’s contract with CREC states that “payment made based on actual services rendered.” Such services should be sufficiently documented through attendance records. Section 31-51ii of the General Statutes states that no person shall be required to work for 7.5 consecutive hours or more without a period of at least 30 consecutive minutes for a meal.

*Condition:* Our review of CREC billings for services provided in the quarters ending March 31, 2014 and June 30, 2014 showed that the CREC time reporting procedures appear to circumvent good business practice by not providing an accurate record of hours actually worked. Additionally, sign-in sheets were not available from the Hartford Correctional Center to verify employee hours.

For 1 department employee who also worked for CREC, we compared the sign-in sheets from Manson Youth and Cheshire Correctional Institutions to timesheets for the period covering March 1, 2014 to June 30, 2014. We noted that the employee appeared to be signed in at the facility on various occasions, but no hours were reported on timesheets. On various occasions, the employee had hours reported on his timesheet but was not signed in at a facility. On 4 occasions, the employee did not exclude any unpaid meal time when working more than 7.5 consecutive hours.

*Effect:* The lack of comparison of timesheets for department employees who also worked under contract could result in undetected overpayments to the provider.

*Cause:* These conditions appear to be the result of a lack of management oversight.

*Recommendation:* The Department of Correction should review and maintain sufficient documentation to ensure the accuracy of payments to employees who also work for outside agencies. (See Recommendation 4.)

*Agency Response:* “The agency agrees with this finding. The department acknowledges that spotty record keeping in the past has led to the appearance of overpayments, however this practice has been monitored since our last audit findings and we have improved our practices since July 1, 2015.

While some hours may have been reported on a timesheet and the employee was not signed into a facility log, the requirements of this position are such that it necessitates the employee to attend trainings and meetings at various other locations. Attendance at these trainings and meetings are verified by the coordinator and principal.

Unified School District #1 will again reiterate to its staff that attendance records must be complete and accurate with actual work hours documented and supervisors will be reminded that they should not sign time-sheets before the end of a pay period. Central office will help to monitor this practice. Additionally as a practice, we have discontinued hiring part-time state employees as CREC employees so as to eliminate future concerns and discrepancies in these areas.”

### **Correctional Enterprises of Connecticut (CEC) – Optical Lab**

*Background:* The CEC optical lab, which filled eyeglass prescriptions, was a revenue-generating operation until it was outsourced in 2009. The outsourcing occurred due to the optical technician’s retirement and a subsequent hiring freeze. During the last 5 years of its operation (2005 to 2009), when the optical lab was in full production, it contributed between \$166,000 to \$228,000 annually and averaged \$192,000 of net income per year. Since 2009, CEC contracted with the Commonwealth of Massachusetts to fill these prescriptions. Since contracting this out, the role of CEC is to receive eyeglass orders from inmates, have them filled in Massachusetts, then delivered to the appropriate correctional facility. The outsourcing reduced the optical lab’s net income to \$38,500 in fiscal year 2012-2013.

*Criteria:* Under Section 18-88 subsection b of the General Statutes, the commissioner shall approve the establishment and maintenance of an optical shop. The shop will produce prescription eyeglasses for inmates, persons under state care in other institutions, and other persons receiving or eligible under Title XIX (Medicaid).

*Condition:* Our review noted that CEC terminated the optical lab upon retirement of its licensed optician, and a replacement was not recruited. Management indicated that it has no intention at this time of reinstating the lab and has dismantled and distributed its equipment.

*Effect:* The intent of the General Statutes is for the CEC optical lab to provide eyeglasses to inmates, clients at other state institutions, and those eligible for or receiving Medicaid benefits. The current limited role of the lab results in revenues going out-of-state while depriving clients at state facilities and Medicaid recipients a viable, cost-effective option for obtaining prescription eyeglasses.

*Cause:* The outsourcing started when the CEC optical technician retired and continued due to the inability to fill the position because of a hiring freeze.

*Recommendation:* The Department of Correction and its Correctional Enterprises of Connecticut division should reconsider implementing the full services of the optical lab on the merits of its potential contributions to state revenue and to be consistent with the intent of Section 18-88 subsection b of the General Statutes. (See Recommendation 5.)

*Agency Response:* “While the agency appreciates the APA’s recommendations, the agency does not agree that the APA’s concerns merit an audit finding.

Section 18-88 subsection (b) of the General Statutes allows for the production of prescription glasses by the CEC optical shop for inmates, for persons under state care in other institutions and those receiving Medicaid benefits, but does not require it. CEC has worked diligently over the years to establish and maintain a viable optical operation; however given the difficulties it has experienced in maintaining a licensed optical technician on staff and the difficult economics of producing eyeglasses, CEC decided to exit this business.

CEC lost its optical technician in 2009 due to retirement. This position was a vocational education position and a replacement was not pursued due to a hiring freeze. Without an optical technician, CEC was unable to manufacture eyeglasses. As CEC was the sole provider for

DOC inmate eyeglasses, the unit needed to establish a replacement supplier quickly and, as such, looked for other correctional industries optical providers to partner with. Both Virginia and Massachusetts were considered and based on geographic considerations CEC established a relationship with Massachusetts Corrections (MASSCOR). This arrangement allowed CEC to continue to supply eyeglasses to the Department (via its healthcare provider Correctional Managed Healthcare (CMHC) - a division of the UConn Health Center) and provided time for the CEC to determine the future course of the optical shop. CEC has since exited the business and CMHC now purchases eyewear directly from MASSCOR (at a lower cost than when CEC produced the product – saving the state money).

Prior to the retirement of the optical technician, CEC approached the Medicaid market and discovered that it was not a viable option due to quality and issues with cost and delivery of goods and services. As such other state institutions and Medicaid clients have never been recipients of eyeglasses from the optical operation. Therefore, there is no loss of cost effective options for eyeglasses.

Section 18-88 subsection (g) of the General Statutes states that ‘each state department, agency, commission or board shall purchase its necessary products and services from the institution industries if such products and services are produced or manufactured and made available by such industries, provided such products and services are of comparable price and quality and in sufficient quantity as may be available for sale or offered for sale outside the institutions.’ CEC has found that state agencies generally do not adhere to this mandate and, as such, has had difficulty in obtaining state agency business. CEC’s inability to compete in the eyeglass market for state agency business is an example of the ineffectiveness of this mandate.

CEC does reevaluate its business annually through its business planning process. Through its business planning process CEC looks at potential lines of business, considers the costs and benefits of expanding current lines of business and the costs and benefits of entering new markets. Whether or not to reenter this particular line of business is reviewed annually.”

*Auditors’ Concluding*

*Comments:*

We acknowledge the difficulties of the DOC hiring a licensed optical technician and the costs associated with the operations of an optical lab during these challenging economic times. However, we suggest that the department obtain clarification from the legislature on whether the intent of Section 18-88 subsection b of the General Statutes for the

establishment and maintenance of an optical shop is optional or mandated.

### **Correctional Enterprises of Connecticut (CEC) Operations**

*Background:* Correctional Enterprises of Connecticut (CEC) is an enterprise fund operating within the Department of Correction. This audit reviewed CEC's accountability in the context of its statutory authority, internal objectives, and in comparison with similar correctional enterprises in the United States.

- Criteria:*
1. Section 18-88 of the General Statutes authorizes the DOC commissioner to create and oversee CEC. It also makes available for sale CEC products and services to other state agencies, agencies of other governmental entities, and not-for-profit organizations. The Department of Administrative Services (DAS) serves as the primary procurement agent for state agencies and extends its services to municipalities in various ways.
  2. Administrative Directive 10.20 for CEC states that it shall provide qualified inmates structured, simulated employment and work training program opportunities to aid in community reintegration upon their release.
  3. The Business Plan for the 2013-14 Fiscal Year expresses the CEC mission as follows: "Correctional Enterprises of Connecticut supports the Department of Correction mission to protect the public and its staff while providing safe, secure and humane supervision of offenders. This is accomplished through providing structured employment and training programs for offenders, therefore reducing prison idleness, supporting the department's goals of successful community reintegration and at the same time producing quality saleable goods and services for all state agencies, municipalities, and nonprofits, while remaining financially self-supporting."

- Condition:*
1. The statute for CEC operations provides no definitive policy guidance or performance standards as to the objectives of the program within the correctional system, with the exception of a specific reference to the creation of an optical shop to manufacture eyewear for the inmate community and Medicaid patients.

2. Administrative Directive 10.20 specifies the intent of preparing inmates with training for reintegration into the community upon their release. However, the practice has focused primarily on providing constructive engagement for long-term inmates with little specific programming focused to transitioning to the job market outside the prison system.
3. A review of the CEC profile in relation to a cohort of the 10 state correctional industries closest to Connecticut in inmate population indicated other noteworthy characteristics. The states in this cohort, in order of net sales in 2013, are Colorado, Washington, Tennessee, Maryland, Louisiana, New Jersey, South Carolina, Alabama, Kentucky, and Mississippi.
  - a. Among the 11 states, Connecticut alone had 1 sales representative marketing its products and services. All others had 2 to 8 sales representatives, and consequently greater sales volume.
  - b. Other states had proportionately greater inmate participation along with some correlation to greater sales.
  - c. Six of the 11 had policy or advisory boards, which include private industry and other stakeholders assisting in operations. Also, 5 of the 6 had the highest net sales within the cohort.
4. During the audited period, the two biggest CEC customers were DOC and DMV, accounting for approximately 60% and 20% of total sales, respectively, over the two-year period.

*Effect:*

1. A lack of clear and detailed statutory and program objectives creates ambiguity as to what the program must do, what it may do, and the appropriate effect it may have on state resources to accomplish its objectives.
2. The effect of having one sales representative and no advisory board limits CEC's ability to promote sales.
3. The effect of concentrating 80% of sales to 2 state agencies makes CEC more vulnerable to changes in budgetary conditions in those agencies.

*Cause:*

Correctional Industries work under inherent security and logistical restrictions that make competitive and economically productive enterprises challenging to manage.

The cause of the concentration of 80% of sales to two state agencies may be the result of limited marketing resources to enter other areas of opportunity.

*Recommendation:* The Department of Correction and its Correctional Enterprises of Connecticut division should develop clear program objectives and measurable performance standards for attaining its goals of engaging long-term inmates in constructive activity, and preparing inmates approaching near term release with sustainable job skills. (See Recommendation 6.)

*Agency Response:* “While the agency appreciates the APA’s recommendations, the agency does not agree that the APA’s concerns merit an audit finding. Nevertheless, the agency will take the APA’s recommendations under advisement and work to clarify CEC’s programmatic goals and objectives to ensure their alignment with the agency’s strategic plan and will work to set in place appropriate metrics to measure their performance against stated goals and objectives.

CEC is both a program and a business. DOC must balance the sometimes opposing goals of engaging long term inmates in constructive activity with preparing inmates approaching near term release with sustainable job skills and do so in light of the economic necessities of running a self-sustaining enterprise.

The agency understands and appreciates the APA’s concerns with regard to programmatic goals and objectives and the need for appropriate performance metrics.

The agency notes that it is has been making structural changes throughout the agency and over the past several years has continuously examined all aspects of its business model for opportunities to improve offender outcomes, increase operational efficiencies, reduce costs and improve and enhance safety and security for the citizens of Connecticut. As such, the agency has begun requiring appropriate performance data to be collected, analyzed and acted on throughout the agency. The agency will be looking at CEC, as it is with all of its operating units, through the lens of its strategic plan and will be making appropriate and necessary changes to such operations with regard to aligning said functions with the agency’s strategic plan and putting in place measures to gauge their performance.

With regard to the APA’s observation that 80 percent of CEC’s sales come from two state agencies, the agency notes that CEC endeavors to

broaden its sales base, however as noted by the APA, Correctional Industries work under inherent security and logistical restrictions that make competitive and economically productive enterprises challenging to manage. Potential customers are limited by state and federal statutes and even though section 18-88 subsection (g) of the general statutes states that ‘each state department, agency, commission or board shall purchase its necessary products and services from the institution industries if such products and services are produced or manufactured and made available by such industries, provided such products and services are of comparable price and quality and in sufficient quantity as may be available for sale or offered for sale outside the institutions,’ CEC has found that state agencies generally do not adhere to this mandate and, as such, CEC has had difficulty in obtaining state agency business.”

### **Core-CT System Access Controls**

- Criteria:* Sound internal control practice for information systems requires the immediate deactivation of access to the Core-CT system once an employee has terminated state service.
- Condition:* Our review of employee accessibility to the Core-CT information system revealed that the human resources unit had no established procedures to notify the information technology department when employees terminate in order to deactivate their access to Core-CT. Our test showed that 17 out of 22 terminated employees were not immediately deactivated. Based on further discussions with the information technology director, there was a 6-month period in which no reports of terminated employees were received.
- Effect:* Terminated employees having access to the system could expose the agency to liability and loss of critical information.
- Cause:* A lack of management oversight in deactivating access of terminated employees from the Core-CT system appears to be the cause.
- Recommendation:* The Department of Correction should establish procedures to ensure that terminated employees are immediately deactivated from access to the Core-CT system. (See Recommendation 7.)
- Agency Response:* “The agency agrees with auditor’s findings regarding the need for the establishment of procedures to ensure the timely termination of Core-CT system access by employees leaving the agency.

The DOC HR-Payroll-Recruitment-WComp Core-CT Liaison was originally instructed to inactivate terminated employees by selecting the 'delete' box on the CO-1092 (paper form) used to add/remove employees to/from Core-CT and fax to Core security.

The liaisons were trained to process the CO-1092 online in June of 2013, however, the online form did not include the "delete" selection option. The HR-Payroll-Recruitment-WComp Core-CT Liaison contacted Core-CT to find out how to delete employees using the online CO-1092 form in September of 2013 and was advised by Core-CT to list each role assigned to the employee and note the effective date of termination in the comment area or list and delete each separate role. This function was previously processed by Core-CT security prior to the online version of form CO-1092. The DOC HR-Payroll-Recruitment-WComp Core-CT Liaison was never informed by Core-CT that this task was now an agency function.

Based on the information received in July/August of 2014 (a list of employees who were terminated and still showing as having active access to Core-CT) from DOC's assigned auditor, the DOC HR-Payroll-Recruitment-WComp Core-CT Liaison contacted Core-CT security to question why those former employees still showed as active in the system if their roles had already been removed. The DOC HR-Payroll-Recruitment-WComp Core-CT Liaison was then informed by Core-CT that even though the terminating employee's assigned roles were listed on the CO-1092 as described above, the account was not "locked". At this time the DOC HR-Payroll-Recruitment-WComp Core-CT Liaison was directed to go into the employee's account and check the box to "lock" the account and that the roles could be removed at a later date. DOC was informed that "locking" the account satisfies the Core-CT security requirements with regard to terminating Core-CT access of departing employees. Currently, when an employee leaves DOC, the DOC HR-Payroll-Recruitment-WComp Core-CT Liaison goes into their account and "locks" the account immediately. This has been DOC's process since receiving that aforementioned direction from Core-CT. In addition to the process outlined above, the DOC HR-Payroll-Recruitment-WComp Core-CT Liaison generates a list of terminated employees which is then provided to other DOC Core-CT Security Liaisons so that accounts are updated and the roles of terminated employees are removed.

Agency system access (for other than Core-CT) is to be terminated via the agency's Service Desk system. System access termination will be initiated via this system by either Human Resources or the departing

employee's supervisor. DOC Human Resources will provide DOC MIS a monthly list of departed employees. DOC MIS will use the list to verify the termination of system access of these employees.

DOC Human Resources will provide DOC Fiscal Services with a monthly list of departed employees.

DOC Fiscal Services will use this list to verify that cellular service (if applicable) has been terminated.

DOC is currently in the process of auditing its accounts to make sure all terminated employee accounts are locked from access.

Process and procedures for the timely termination of Core-CT access when employees leave DOC employment have been drafted and implemented. A copy of DOC's process and procedures for the timely termination of Core-CT access has been provided to the auditors."

## **Monitoring of Cell Phones**

*Criteria:*

Section 3-117 (c) of the General Statutes states that the Commissioner of Administrative Services shall charge the appropriation of any state agency, without certification by such agency, for expenses incurred by such agency for basic telephone service. However, the agency shall certify to the Commissioner of Administrative Services that such services were provided to such agency not later than 30 days following notification of such charge.

DAS Bureau of Enterprise Systems and Technology (BEST) procedures require agencies to verify monthly billing statements by returning the signed certification sheet and any exceptions within 30 days.

*Condition:*

During the audited period, we reviewed 20 cell phone bills and found that 14 were not reviewed within 30 days. The delays ranged from 45 days to 18 months.

We reviewed 488 cell phone bills in June 2012 and 533 bills in June 2013 and found that 104 (21.3%) and 129 (24.2%) cell phones, respectively, were not used. The department paid \$2,031 for the cell phones without activity.

*Effect:*

The department was not in compliance with state procedures and statutory requirements concerning telecommunication services. Weaknesses in verifying cell phone billing increased the risk that

waste and losses could occur without being detected in a timely manner.

*Cause:* Management was unaware and did not follow the state's monitoring procedures.

*Recommendation:* The Department of Correction should comply with state telecommunications procedures for monitoring and verifying cell phone charges. (See Recommendation 8.)

*Agency Response:* "The agency agrees with the findings.

DOC note that whenever DOC staff is assigned a cellular phone, they are provided with copies of the following state and agency policies and directives and are required to acknowledge that they have reviewed such and understand their responsibilities and obligations.

- The State's Acceptable Use of State Systems Policy;
- State of Connecticut Telecommunications Equipment Policy;
- The State's Policy on Security for Mobile Computing and Storage Devices; and
- Provisions of Public Act No. 05-159, An Act Concerning The Use Of Hand-Held Mobile Telephones By Operators Of Motor Vehicles, effective October 1, 2005.

Staff are also reminded that as an employee of the Connecticut Department of Correction their use of a state issued cellular device is further governed by Administrative Directives 2.17 Employee Conduct, 2.6 Employee Discipline and section 11 of Administrative Directive 3.10 Fees, Reimbursements and Donations.

With the state's transition from Blackberries to iPhones, all staff receiving new phones will be required to review the aforementioned state and agency policies and directives (regardless of whether they are a new user or not) and acknowledge that they have reviewed such policies and directives and understand their responsibilities and obligations.

In light of the two audit findings regarding Telephone Usage, DOC will send all cell phone users copies of all of the applicable state and agency policies and directives regarding cell phones and reminded them of their responsibilities and obligations.

Specifically regarding the auditor's two findings, DOC offers the following:

1. While agency personnel may not have been aware of the DAS requirements, the Agency's Directive 3.10, 11 b. requires that phone bills be reviewed and signed within one month. However, in light of this finding, staff will be advised of the DAS requirements. DOC Procurement staff, via email, will follow up monthly with staff and their supervisors when a signed and approved report is not timely submitted.
2. Cell phone bills are audited monthly by Procurement Services Cell Phone bills are reviewed in a perpetual method so all accounts are examined at least annually. For example, with 450 current accounts, 38 accounts need to be examined each month (i.e.  $450/12 = 37.5$ ). Cell phone assignments are reviewed on an ongoing basis to identify unused phones. Reassignments and retirements account for many cell lines being shut off from service. Pool phones are not frequently used but are carried on a daily basis for safety and security reasons. These phones are locked and programmed to allow access to a limited number of phone lines when calling out thus preventing misuse. The department will increase its scrutiny of cell phone usage to ensure that expenses are controlled while operational effectiveness is maintained."

### **University of Connecticut Health Center's Correctional Managed Health Care Contract**

*Background:*

The Department of Correction and the University of Connecticut Health Center's Correctional Managed Health Care Division (UCHC\CMHC) collaborate in a joint venture in which UCHC\CMHC provides global medical, mental health, pharmacy, and dental services at 16 DOC facilities statewide and at John Dempsey Hospital. As of June 2013, services were provided by 812 staff to a population of 17,998 individuals (16,985 incarcerated and 1,013 in halfway houses). This relationship has evolved over 17 years since November 1997.

We conducted a review of the 2-year memorandum of agreement (MOA) between the entities dated August 27, 2012, for the fiscal years ended June 30, 2013 and 2014, in recognition of the critical role of health care in the correctional system, and the material position of this arrangement in the DOC budget. In fiscal year 2013, the MOA stipulated an appropriation of \$77,429,400, of which \$81,457,578 was expended after drawing down a cumulative surplus on the contract of

\$4,028,178 from prior years. In fiscal year 2014, \$88,513,923 was appropriated, of which \$85,578,830 was expended.

*Criteria:*

1. Section 18-81 of the General Statutes designates the Commissioner of DOC with responsibility to oversee all aspects of service to inmates in DOC custody, including health care services.
2. A memorandum of agreement is a contract between state agencies and should be defined in sufficient detail to specify the services to be provided and the performance standards for assessing provider compliance.
3. Agency management should have sufficient management and informational tools in place to manage, monitor, and evaluate the performance of the MOA service provider in fulfilling its obligations under the contract.

*Condition:*

1. The MOA between DOC and UCHC/CMHC is defined as a joint venture and collaborative arrangement between equals in providing health care services to the inmate population. However, this situation compromises DOC's primary responsibility as the agency charged with paramount security responsibilities, within which health care services must be provided. The operation of the joint venture appears impaired in achieving the objectives of the MOA by an absence of clear lines of authority.
2. Contractual terms and performance standards in the MOA are vague in terms of defining responsibility between DOC and UCHC/CMHC and establishing measurable and verifiable performance standards for compliance.
3. Executive committee and management committee meeting processes do not evidence concerted oversight of contractual terms. The executive committee, which is charged with overseeing the strategic plan, is required to meet quarterly; however, it met three times in two years. Four of 24 management committee meetings were cancelled and, in 4 other cases, no record of attendance was provided. Meeting minutes do not provide the name of the committee member chairing the meetings. Furthermore, there is no record of votes cast on key decisions, and evidence of a subsequent review and approval of such minutes was lacking.

4. The budget presented in the MOA is inadequate for managing a contract of this magnitude and complexity. It defines objects of expenditures and does not break down projected expenditures to responsibility centers defined by facility and major areas of health service, impairing management's ability to detect deviations from plan by point of responsibility.

The budget does not include the cost of UCHC\CMHC employee benefits, eliminating a major cost element from the true representation of the cost of Health Services. In fiscal year 2013-2014, fringe benefits and workers compensation totaled \$49,754,772, in addition to the \$85,578,830 in reported expenditures.

Costs of the John Dempsey Hospital 8-bed secured inmate unit, net of related projections of Medicaid reimbursements and other revenues for inmate services, are not included in budget or financial statements and are contrary to MOA Section XII.G, regarding reporting of expenditure reimbursements and revenues.

Staffing rosters and organizational charts defining personnel resources of the contract are inconsistent. Full-time equivalent (FTE) positions are incorrectly calculated in the Master Position Listings, are not represented in monetary amounts, and thus cannot be reconciled to the salary line in the Appendix H Budget.

DOC permitted \$6,332,177 in payments in excess of UCHC\CMHC expenditures to accumulate over seven years on UCHC\CMHC's ledger. This has occurred during a period of progressively tighter budgetary and cash flow constraints for the agency.

5. We selected several provisions of the contract for testing to actual performance and noted the following deficiencies:
  - A. DOC has not accomplished implementation of Medicaid guidelines and clinical practice guidelines, though it was supposed to be completed within the first year of the contract.
  - B. MOA Article VI.I requires "a plan within one year to secure and maintain National Commission on Correctional Health Care (NCCHC) accreditation at all correctional facilities." It has not been completed to date, and only 2 facilities have accreditation from NCCHC or the American Correctional Association (ACA). One was obtained by CMHC and one was obtained by DOC. However, it is not clear from the contractual

language which organization is ultimately responsible for creating and implementing the plan.

6. Critical Incident Case Review of inmate deaths, as defined in MOA Article VIII.C.2 places UCHC\CMHC in the role of evaluating its own performance, which is inconsistent with practice in other areas where deaths in the course of governmental actions are subject to independent review. Furthermore, the current MOA places a more stringent timeline for reporting critical incidents not causing death than it does for reporting deaths.
7. MOA Article X.L.7 acknowledges that “all original health records prepared by UCHC are the sole property of CTDOC,” but neither the cited article nor the definitions section of the MOA explicitly define what types of records constitute “original health records.”
8. DOC does not have adequate, systematized documentation of the quality review performed over UCHC\CMHC delivery of care. This creates uncertainty regarding the degree of quality review conducted, and does not provide necessary support for DOC’s expressed concerns regarding the quality of care.
9. Many elements of the MOA have not been reviewed by DOC resulting in DOC operating under the assumption of compliance by UCHC\CMHC with no corroborating evidence or attestation from CMHC executive management.

*Effect:*

1. It appears that DOC is not exercising decisive influence in managing priorities and setting standards for UCHC\CMHC performance.
2. Vagueness in contractual terms and a general absence of measurable performance standards impair DOC’s capability to ensure proper performance of service by UCHC\CMHC, and expose it to the risk of liability for failure to provide quality care.
3. The executive and management committee meetings and their minutes, as mechanisms for managing the MOA, do not provide a clear record of management oversight in achieving the objectives of the contract, resolving issues in an orderly manner and ensuring compliance. The minutes do not provide an adequate record as evidence of that process.

4. The budget of the MOA understates the true cost of health care services provided by UCHC\CMHC to DOC, impairing effective fiscal assessment by other governmental agencies and public stakeholders. It does not sufficiently break down costs by responsibility centers, impairing effective management analysis by DOC.
5. The effect of allowing UCHC\CMHC to conduct reviews of critical incident cases is to risk impairing, in appearance if not in fact, the integrity of the resulting findings.
6. Failure by DOC to recover surplus funds from UCHC\CMHC or otherwise direct them to initiatives outlined in the contract has delayed progress on critical initiatives within the MOA. In addition, DOC was denied the use of those funds for other operational needs during periods of constrained cash flow.
7. Failure to define DOC ownership of both records and supporting systems may leave DOC with incomplete information in the event that this relationship is dissolved by either party. More importantly, control over the information but not the processes by which it is created and maintained is an incomplete scope of authority in a function such as this.
8. Insufficient independent monitoring by DOC of quality and quantity of care by UCHC\CMHC denies DOC the assurance that health needs are being met efficiently, economically, and effectively to prevent worsening and more costly complications; ensure the general health and well-being of the inmate community; ensure the release of inmates to the general population in a sustainable condition; and mitigate the risk of litigation from allegations of medical malfeasance.
9. DOC's lack of complete cost information from UCHC\CMHC regarding the total cost of its health care services denies DOC a critical element of control in evaluating the economic effectiveness of the MOA.

*Cause:*

1. There appears to be an assumption that the 2 state agencies come to this joint venture as equals. In fact, the DOC responsibility to provide secure custody of inmates is the overriding imperative which should define the relationship, and within which health care and rehabilitative services are provided.

2. The contractual structure appears to have evolved over time and is in need of a thorough review and restructuring for conciseness and clarity.
3. The condition of the minutes and the focus of the committees results from the absence of primary responsibility for their function, which should rest with DOC.
4. DOC management suggests that UCHC\CMHC systems are not capable of the level of detail that would be required for responsibility center level accounting.
5. Absence of structured contract monitoring processes appears to be a consequence of a concerted effort by the parties to maintain the joint venture/collaborative philosophy. We understand from various sources that prior efforts to monitor and report on performance in prior years have been discontinued.
6. DOC Health Services and Financial Services staffing levels appear to be insufficient to effectively monitor a complex contract encompassing 900 CMHC employees at eighteen physical locations administering services to twenty thousand inmates in facilities and the community. DOC Health Services currently consists of nineteen positions, including four dedicated to maintaining the inmate health records archive.

*Recommendation:* The Department of Correction should modify the memorandum of agreement between DOC and University of Connecticut Health Center's Correctional Managed Health Care Division to explicitly recognize that it is a contractual relationship. Furthermore, DOC as the contracting party has the primary responsibility and authority to ensure that contract requirements are met. (See Recommendation 9.)

*Agency Response:* "All of the concerns identified and recommendation proposed by the APA relate to one or all of the following: the Relationship between DOC and UCHC-CMHC; DOC Contract Oversight and Administration; and Contract/Vendor Performance Evaluation.

The current agreement between the DOC and UCHC-CMHC (the subject of this audit) is set to expire and the agency is in the process of developing and negotiating a new agreement with UCHC-CMHC. This effort began in November of 2014 and it is anticipated that a new agreement will be in place by the end of the first quarter of Fiscal Year 2016-17. The agency notes that many of the issues and concerns

identified by the auditors were also identified by the agency in its review of the current agreement in its preparation for the development of a new agreement.

Overall, the agency agrees with the auditor's findings and is working to address their concerns in the agreement currently being developed and negotiated. The following outlines how the agency is addressing the three areas referenced above.

Relationship between DOC and UCHC-CMHC

The agency agrees with the Auditor's findings related to the Contractual Relationship between the agency and UCHC-CMHC. As referenced above the agency is in the process of developing and negotiating a new agreement and is working to address the auditor's concerns in the new agreement.

DOC Contract Oversight and Administration

The agency agrees with the Auditor's findings related to DOC Contract Oversight and Administration.

Among the 9 steps identified, when funds are available, the agency will hire a program manager to support the Director of Health Services and to monitor and report on contract compliance, and to support the operation of an enhanced committee structure under the chairmanship of the commissioner. The agency will also work closely with CMHC to implement enhanced budgetary controls and financial reporting.

Contract/Vendor Performance Evaluation

The agency agrees with the Auditor's findings related to Contract/Vendor Performance Evaluation. The agency will clarify contract language and related performance standards, and will improve monitoring and reporting to enhance contract compliance and performance on qualitative, quantitative and cost criteria."

**Asset Management**

*Criteria:*

The State Property Control Manual and good business practice require that equipment items be properly recorded, and obsolete or unusable items be sent to the Department of Administrative Services (DAS) State Property Surplus Unit.

Chapter 8 of the State Property Control Manual requires that loss or damage to state property be documented on Form CO-853 and

reported immediately to the State Comptroller and the Auditors of Public Accounts.

*Condition:* Our review of the department's property control records disclosed the following deficiencies:

Our test of 50 randomly inspected items disclosed that 14 items (28%) were found in different locations than noted on the Core-CT inventory list, 2 items (4%) were not tagged, and 4 items (8%,) totaling \$10,138, appeared broken and obsolete but were still listed on the inventory.

We also observed numerous other assets at the central office and Brooklyn CI facility that appeared broken, obsolete, or unused.

A CO-853 form was not provided for reporting 12 missing equipment items totaling \$12,747 during the DOC fiscal year 2012 physical inspection.

*Effect:* Insufficient controls can lead to increased risk of loss and accountability.

*Cause:* The lack of oversight appears to have contributed to the inventory weaknesses.

*Recommendation:* The Department of Correction should comply with the State Property Control Manual by maintaining accurate inventory records, reporting missing equipment, and transferring obsolete or unusable equipment to the DAS State Property Surplus Unit. (See Recommendation 10.)

*Agency Response:* "The agency agrees with these findings. The agency notes that these findings appear to be from when the APA Auditor went out to do testing at Brooklyn CI in the spring of 2015 for the FY2013 audit period. At that time, there were a significant number of items stored in the old Brooklyn jail. Many of the items were not asset-related but there were a substantial number of electronics. Once these electronic items were brought to our attention, we notified the Brooklyn CI facility liaison that these items needed to be written up on an Electronic Surplus Property Form so we could submit it to DAS for authorization to dispose according to the State Property Control Manual. The disposal process was done in the fall of 2015.

With regard to the APA's test of 50 randomly inspected items which disclosed that 14 items were found in different locations than noted on the Core-CT inventory list, the agency acknowledges this deficiency.

The agency notes that the DOC Fiscal Services Unit communicates to all facilities the importance of letting Asset Management (AM) staff know whenever an asset and/or controllable item is moved from one location to another. If the AM staff is not notified by facility staff that an item was moved, AM staff will not know to transfer an item until an annual inventory has been completed. Given that a physical inventory is done annually, if an item is found to be in a different location than indicated on the Core-CT inventory list, the AM processor will transfer the item to the new location.

With regard to the APA finding that two items were not tagged the agency notes that because of the nature of our business, and the contact inmates have with a lot of our equipment, the tag was most likely removed from the asset. If an item is on the inventory list but does not have a tag, AM staff will look the item up by Serial #/Model #, etc., just to verify information and have the Tag # written with a permanent marker on the asset.

With regard to the APA finding that four items totaling \$10,138 appeared broken and obsolete but still listed on the inventory, the agency notes that AM staff, upon the physical inventory do their best, with the help of facility staff, to identify any assets that are broken beyond repair and/or obsolete but still listed on the inventory. If facility staff indicates the item should be thrown out, AM staff will complete the DAS documentation to get disposal approval. Fiscal Services continually communicates with facility staff the importance of notifying staff whenever disposal of an asset is necessary so that the necessary steps can be taken to dispose of the asset according to the Property Control Manual. Additionally, a Form CO-853 will be processed for the missing equipment.”

## **Controls over Inmate Property**

*Background:* The Department of Correction has responsibility for inmates and their property while in its custody. DOC statistics for the fiscal year ended June 30, 2014 indicated that the total average inmate population was 16,551, with approximately 22,970 transfers of inmates within the system, and 26,985 discharges and other releases from the system. Any of these events can generate a potential inmate property claim for loss, damage, or unclaimed property subsequent to release.

*Criteria:* Administrative Directive 6.10 Inmate Property is the primary policy directive governing the handling of inmate property by DOC while inmates are in custody and upon their release.

Administrative Directive 9.6 Section 16.B allows an inmate 1 year to submit a claim from the time of identified loss, and allows the DOC Claims Board one year to resolve it.

A proper segregation of duties requires that the position responsible for maintaining a record of accountability be separate from the position charged with physical custody of the asset.

*Condition:*

1. The current system for administering and accounting for inmate property is paper-based and does not compile forms for effective supervisory analysis of trends and status of inmate-related property in its various methods of retention.
2. A 1-year window for inmates to submit property loss claims often results in unallowed claims due to the loss of critical supporting information and the reliance on assertions which are otherwise not verifiable.
3. In most points throughout the process, the DOC Unit Property Officer or other personnel has custody of both the property and related record of accountability.

*Effect:*

1. For a 42-month period, a total of 176 inmate property claims were submitted, totaling \$78,004, of which the 75 largest claims were settled for \$11,106. The average claim settlement was \$148 with the largest and smallest being \$1,250 and \$5.
2. The effect of the 1-year window for inmate property claim submission creates an additional administrative burden in attempting to resolve the claim with insufficient information resulting from the passage of time.
3. Inadequate segregation of duties between recordkeeping and physical custody throughout the DOC inmate property custody system compromises internal control and creates the opportunity for theft. It also places the property custodian's integrity at risk of question when invalid claims of loss are filed and cannot be refuted by independent documentation.

*Cause:*

The cause of the inadequate segregation of duties is insufficient staff to provide proper segregation of recordkeeping from property custody. This is further affected by the paper-based environment of the recordkeeping system, which requires considerable clerical effort due to the high volume of inmate transfers within and out of the system.

*Recommendation:* The Department of Correction should segregate the recordkeeping and custody responsibilities of inmate property or institute supervisory controls that can mitigate the risk of weaknesses in the system whenever possible. (See Recommendation 11.)

*Agency Response:* “The agency agrees that certain weaknesses exist within the agency’s inmate property system and that the primary causes of the identified deficiencies are insufficient staff capacity and the reliance on paper records.

The agency will work to address the staffing concerns raised by the APA through the assignment of only properly trained and certified staff to execute the duties of the Unit Property Officer and all Unit Property Officers will be informed of the agency’s reporting obligations under Connecticut General Statute 4-33a and the agency’s corresponding policies and procedures.

The agency is developing a new Offender Management Information System (OMIS) which will replace many paper processes within the agency and the agency agrees that opportunities exist within the development of the new system to improve the work flows, reporting and accountability associated with the custody and recordkeeping responsibilities of Unit Property Officers and of the Claims Liaison as well as managerial oversight and control. DOC will pursue such capabilities within the new system to the extent feasible and practical. DOC will also explore the possibility of integrating within OMIS a reporting process specific to the transfer of unclaimed property to DAS which will account for all unclaimed property distributed or disposed in a manner that maintains the integrity of accountability to the end of DOC custody, and provides DAS with a detailed item level inventory of property received compatible with DAS’ reporting requirements.

The agency agrees that a statistical summary and analysis of inmate property claims reports should be prepared and submitted to DOC supervisors to enhance managerial oversight and control. DOC will formalize and document procedures for maintaining the control log of inmate property claims and will develop a statistical summary and analysis report which will be submitted to DOC supervisors to allow for effective supervisory analysis of trends and status of inmate related property in its various methods of retention by DOC.

The agency will discuss with the Office of the State Comptroller the APA’s finding regarding inmate property and DOC’s reporting obligations under Connecticut General Statute 4-33a. The agency will work with the Office of the State Comptroller to ensure that

appropriate compliance occurs and will adjust its internal procedures accordingly.

The agency agrees that Administrative Directive 9-6, Section 16-B should be modified to reduce the window for inmate property claim submission to 30 days so as to be consistent with other inmate time frames for management of inmate property rights under Administrative Directive 6-10. DOC will modify Administrative Directive 9-6, Section 16-B accordingly.”

## **Expenditures**

- Criteria:* Section 4-98 subsection (a) of the General Statutes states that no budgeted agency may incur an obligation except by the issuance of a purchase order transmitted to the State Comptroller to commit the agency’s appropriations to ensure that funds are available for the payment of obligations.
- Department of Correction’s 2010 Purchasing Manual and Memorandum No. 2006-34 state, “Each blanket PO must encumber enough funds to cover the estimated purchases. Receipt of goods and/or services in excess of the dollar amount encumbered is a violation of Connecticut General Statute 4-98.”
- Condition:* In our review of 9 blanket purchase orders relating to 11 vouchers, we found that 6 vouchers required additional funding to cover the expenditure after the goods were received or services were rendered.
- Effect:* Expenditures were incurred for goods and services prior to funds being available and committed in violation of Section 4-98 of the General Statutes.
- Cause:* Agency personnel explained that, due to budget constraints, it was difficult to commit large amounts of the total agency budget to blanket purchase orders since the exact amount of these expenditures were unknown until after the receipt of goods or services, and an invoice was received. Therefore, the unused funds are available for necessary purchases and are moved among other purchase orders in the interim.
- Recommendation:* The Department of Correction should improve purchasing procedures to ensure compliance with Section 4-98 of the General Statutes. (See Recommendation 12.)

*Agency Response:* “The agency agrees with the finding and has begun reviewing all instances in which blanket purchase orders are utilized to determine alternatives. DOC will continue to closely monitor its cash flow and procurement activities and continue to utilize regular Cash Management meetings as referenced above. In cases where no other reasonable alternative to blanket purchase orders exists, DOC will establish processes and procedures that include fiduciary controls and oversight approvals to ensure system integrity, transparency and fiduciary oversight and control. Such processes, procedures, fiduciary controls and oversight approvals will be documented.

Additionally, DOC will explore exemption options with the State Comptroller as recommended by the APA.”

### **Petty Cash Fund**

*Criteria:* The State Comptroller’s State Accounting Manual (SAM) section related to petty cash funds states that items outstanding for more than 1 month should be questioned or reviewed. SAM also states that checks outstanding for an extended period of time deemed not cashable should be canceled or escheated to the State Treasurer if such checks are older than 3 years. Good business practice suggests that agencies cancel checks outstanding for more than 6 months.

*Condition:* DOC does not have procedures in place to review outstanding checks. The June 30, 2013 bank reconciliation showed that 22 checks, totaling \$2,610, were outstanding for over 6 months, including 3 checks for \$289 outstanding since January 2010.

*Effect:* Without adequate follow-up of outstanding checks, monies held in the fund may not be properly applied and disbursed.

*Cause:* Supervisory oversight for old outstanding checks appears to be lacking.

*Recommendation:* The Department of Correction should establish petty cash fund procedures to review all outstanding checks and determine their proper disposition in accordance with the State Accounting Manual. (See Recommendation 13.)

*Agency Response:* “The agency agrees with this finding and has developed and implemented new procedures to address the issue. The new procedures have been in place since July of 2015. Petty cash outstanding checks shall be reviewed on a monthly basis by the Accounting Unit Manager. When checks have been outstanding for over a four month period from

the original issue date, the Accounting Unit will forward a standard form letter to the payee requesting that they contact the Accounting Unit in order to clear the outstanding check including a re-issue of a new check if the original is deemed lost.

If the payee chooses to have a new check issued, then the Petty Cash Custodian will request that a stop payment be placed on the original check and upon confirmation and verification from the Bank of America, a replacement check will then be issued. The payee will be required to provide his/her employee number as proof of identity before any new check is issued.

Any non-workers compensation check or non-travel advance check that remains outstanding for six months will be addressed by following the procedures described in A below.

- A. Since the original check has been outstanding for six months the corresponding expenditure for that check has been submitted to the Comptroller for reimbursement and the replenishment of funds has been received by the agency. A stop payment will be placed on the check as described above, the check will be written off by recording an accounting entry in QuickBooks increasing the cash account by the amount of the original check and then issuing a check for the same amount payable to the "Treasurer, State of Connecticut." The check will be deposited within the Accounts Receivable module of Core-CT and coded to the appropriate revenue account per procedures as outlined in the Comptrollers' State Accounting Manual for Imprest Petty Cash Funds.

Any workers compensation or travel advance check that remains outstanding for six months will be addressed by following the procedures described in B below.

- B. A stop payment will be placed on the original check, the check will be written off by recording an accounting entry in QuickBooks increasing the cash account and an offset entry to an account entitled "Due to Other Funds". This is a liability account where the funds will be accounted for and where they will remain for a period of three years. After the funds have remained unclaimed for three years after the original date of issue, they will be transferred to the State Treasurer as unclaimed property in accordance with policies and procedures

established by the State Treasurer's Unclaimed Property Division."

## RECOMMENDATIONS

Our prior audit report on the Department of Correction contained six recommendations. One has been implemented or otherwise resolved and five have been repeated or restated with modifications during the current audit. The following is a summary of the action taken on the prior recommendations.

*Status of Prior Audit Recommendations:*

- **The Department of Correction should improve oversight over the enforcement of certain payroll and personnel procedures and practices.** This recommendation is repeated. (See Recommendation 1.)
- **The Department of Correction should take appropriate action to comply with or amend statutory and regulatory requirements regarding the establishment of an inmate discharge savings account program and the recovery of incarceration costs from inmates.** This recommendation is repeated. (See Recommendation 2.)
- **The Department of Correction should take the steps necessary to ensure providers are disclosing all related party transactions.** The department has improved its procedures to disclose related-party transactions. As a result, this recommendation will not be repeated.
- **The Department of Correction should ensure that inmates are correctly paid and inventory reports reflect inventory value and are prepared in accordance with the State Comptroller's guidelines.** The department has resolved inmate pay and excluded obsolete inventory from its financial statements; however, inventory reporting deficiencies still exist. As a result, this recommendation will be repeated in a modified form. (See Recommendation 3.)
- **The Department of Correction should maintain sufficient documentation to ensure the accuracy of payments to employees who also work for outside agencies.** This recommendation is repeated. (See Recommendation 4.)
- **Correctional Enterprises of Connecticut should seek to operate its optical shop as intended by the general statutes to provide its inmates, Medicaid recipients and all others under care in state facilities with cost-effective access to prescription glasses.** The department has not complied with the General Statutes for the optical shop operations; therefore, the recommendation will be repeated in a modified form. (See Recommendation 5.)

*Current Audit Recommendations:*

- 1. The Department of Correction should improve oversight over the enforcement of certain payroll and personnel procedures and practices.**

Comment:

Through our review, we found a lack of oversight in certain areas. These include ensuring complete timesheets with proper dates and signatures of employees and supervisors, staff acknowledging state computer policies, complying with training requirements, performing timely staff evaluations, sufficiently monitoring sick leave and compensatory time, and maintaining appropriate documentation for overtime.

- 2. The Department of Correction should continue to take appropriate action to comply with statutory and regulatory requirements regarding the establishment of an inmate discharge savings account program and the recovery of incarceration costs from inmates.**

Comment:

The department has not complied with statutory or regulatory requirements for the deduction of 10% of deposits from inmate accounts to be used for a discharge savings account or the recovery of the costs of incarceration.

- 3. The Department of Correction should ensure that the Correctional Industries Fund inventory reports reflect actual inventory value and are prepared in accordance with the State Comptroller's guidelines.**

Comment:

Our review of the Correctional Industries Fund inventory balance reported on the balance sheet at June 30, 2013, did not agree with inventory balance reported to the Comptroller and the variance was not reconciled.

- 4. The Department of Correction should review and maintain sufficient documentation to ensure the accuracy of payments to employees who also work for outside agencies.**

Comment:

We found that the department was not sufficiently monitoring whether there was any conflict between hours worked by an employee who was also working for a private provider. Additionally, sign-in sheets to verify employee hours worked were missing at one facility.

- 5. The Department of Correction and its Correctional Enterprises of Connecticut division should reconsider implementing the full services of the optical lab on the merits of its potential contributions to state revenue and to be consistent with the intent of Section 18-88 subsection b of the General Statutes.**

Comment:

Section 18-88 subsection (b) of the General Statutes allows for the production of prescription glasses by the Correctional Enterprises of Connecticut (CEC) optical shop for inmates, persons under state care in other institutions, and those receiving Medicaid benefits. The statute requires CEC to have a licensed optician supervising its operations. The hiring of an optician would allow CEC to provide cost-effective prescription eyeglasses instead of outsourcing to an out-of-state vendor and would also provide additional state income.

- 6. The Department of Correction and its Correctional Enterprises of Connecticut division should develop clear program objectives and measurable performance standards for attaining its goals of engaging long-term inmates in constructive activity, and preparing inmates approaching near term release with sustainable job skills.**

Comment:

Absence of clear program objectives and measures of attainment inhibit the ability of the Correctional Enterprises of Connecticut to engage stakeholders in a collaborative effort necessary to secure essential resources, programmatic changes, and access to markets.

- 7. The Department of Correction should establish procedures to ensure that terminated employees are immediately deactivated from access to the Core-CT system.**

Comment:

Our review disclosed that 17 of 22 terminated employees from state service were not immediately deactivated from access to Core-CT.

- 8. The Department of Correction should comply with state telecommunications procedures for monitoring and verifying cell phone charges.**

Comment:

A review of cell phone operations noted that state procedures were not being followed for verifying monthly cell phones bills.

- 9. The Department of Correction should modify the memorandum of agreement between DOC and University of Connecticut Health Center's Correctional Managed Health Care Division to explicitly recognize that it is a contractual relationship. Furthermore, DOC, as the contracting party, has the primary responsibility and authority to ensure that contract requirements are met.**

Comment:

We noted that the memorandum was unclear as to who has primary healthcare responsibility for inmates. Some executive and management committee meetings were cancelled and not rescheduled as required and did not provide evidence of oversight of the contractual terms. We also noted that annual budgets of over \$80 million did not provide expenditure details of major health service areas to assist management in detecting deviations from the plan, and DOC permitted \$6,332,177 in payments in excess of expenditures to accumulate over a seven-year period during tight state budgetary and cash flow constraints.

- 10. The Department of Correction should comply with the State Property Control Manual by maintaining accurate inventory records, reporting missing equipment, and transferring obsolete or unusable equipment to the DAS State Property Surplus Unit.**

Comment:

We noted that some equipment items were found in different locations than reported, missing equipment was not properly reported, and obsolete equipment was not surplus.

- 11. The Department of Correction should segregate the recordkeeping and custody responsibilities of inmate property or institute supervisory controls that can mitigate the risk of weaknesses in the system whenever possible.**

Comment:

In our review of the department's paper-based recordkeeping system for inmate property operations, we noted that a lack of segregation of duties existed and that numerous inmate property claim settlements were made.

- 12. The Department of Correction should improve purchasing procedures to ensure compliance with Section 4-98 of the General Statutes.**

Comment:

Purchase orders for goods and services were not always funded properly to correctly commit funds prior to goods being received or services being rendered.

- 13. The Department of Correction should establish petty cash fund procedures to review all outstanding checks and determine their proper disposition in accordance with the State Accounting Manual.**

Comment:

We noted numerous checks that were outstanding for over 6 months including some as old as three and one-half years.

**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Correction during the course of our examination.



William T. Zinn  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert J. Kane  
Auditor of Public Accounts