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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**NEW YORK STATE  
DEPARTMENT OF  
CORRECTIONAL SERVICES**

**SELECTED FISCAL  
OPERATIONS AT  
OTISVILLE  
CORRECTIONAL FACILITY**

**Report 2007-S-2**

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## AUDIT OBJECTIVE

Our objective was to determine whether the Otisville Correctional Facility (Otisville) established and maintained an adequate system of internal controls over selected fiscal operations, including payroll and timekeeping, inmate accounts, and procurement.

## AUDIT RESULTS - SUMMARY

We concluded that Otisville has established controls over inmate accounts, but there are opportunities for improvement. We also concluded that Otisville does not have adequate controls over payroll and procurement.

A swap is defined as a voluntary exchange (trade) of specific work shifts by two employees in the same title that (a) is initiated solely for the benefit of the affected employees and (b) under normal circumstances, will not affect the compensable hours worked by each employee. The Department of Correctional Services (DOCS) has established a policy to record, monitor, and control uniformed employee swaps. However, DOCS does not have any directives for the swapping of shifts by civilian employees. We identified civilian staff at Otisville who have been swapping their work shifts without the authority to do so. Senior management at Otisville and DOCS central office were not aware that these employees were engaged in this practice. Supervisors responsible for signing these employees' timecards failed to take corrective action to stop the practice or ensure adequate controls were in place over the time and attendance of these employees.

In addition, we found that five individuals on Otisville's payroll were actually working at other locations within DOCS. Two of these individuals were not sending in their timecards to Otisville; therefore, the facility did not have adequate documentation that these employees were actually working and entitled to their paychecks.

In our review of inmate accounts, we determined that Otisville needs to improve the investment of inmate funds in order to earn a higher rate of return. We also noted that financial transactions relating to fundraisers by inmate organizations were not monitored properly to ensure compliance with DOCS requirements. We noted there was a lack of accountability over the profits from such events and how the profits were allocated.

We found weaknesses in internal controls over the procurement of goods and services. We identified instances in which the facility did not comply with the State Finance Law requirement that agencies use a formal competitive process for procurements exceeding \$15,000. We also noted instances in which the facility did not seek adequate competition for purchases between \$5,000 and \$15,000. As a result, there is inadequate assurances that the facility obtained reasonable prices and interested vendors had appropriate opportunity to obtain state business.

Our report contains 14 recommendations designed to improve controls over fiscal operations at the facility. DOCS officials agree with most of our recommendations and indicate that they have taken or will take corrective action.

This report, dated October 9, 2008, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11th Floor  
Albany, NY 12236

## BACKGROUND

The New York State Department of Correctional Services (DOCS) is responsible for the confinement and habilitation of approximately 62,000 inmates held at 69 correctional facilities and one drug treatment center. DOCS is divided into 9 regional hubs, each of which is responsible for the operational oversight of up to 12 correctional facilities. Each correctional facility has an administrative office that conducts the business operations of the facility.

Located in Orange County, Otisville Correctional Facility (Otisville) is a medium security facility for males. It is assigned to the Sullivan hub district in the southeastern portion of the State.

Each State agency is required to establish a system of internal controls that provide reasonable assurance that State assets are safeguarded properly. Key business functions that require appropriate internal controls include procurement, commissary operations, inmate accounts, food service, payroll/timekeeping/staffing, inmate records, inventory, information systems, and the filing of administrative reports. DOCS is responsible for establishing internal controls through the issuance of directives and procedures.

In State fiscal year 2006-07, Otisville had an inmate population of about 600 and a work

force of 315 employees (civilian and uniformed). Expenditures for the 2006-07 fiscal year totaled \$20,260,165 for personal services, \$986,075 for non-personal services, and \$2,387,153 for non-personal services that are under the control of DOCS central office.

## AUDIT FINDINGS AND RECOMMENDATIONS

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### *Payroll and Timekeeping*

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We found certain payroll and timekeeping controls are not in place. Civilian staff at Otisville have been involved in the swapping of work shifts without the authority to do so. Senior management at Otisville and central office were not aware that these employees were engaged in this practice. We also found instances in which Otisville employees were working at other DOCS locations without proper controls in place, and another in which an employee was overpaid because his or her name had not been deleted properly from the payroll.

#### Swapping of Work Shifts by Employees

DOCS Directive 2223 on Intershift/Regular Day Off Swaps provides a standard policy to record, monitor, and control work shift swaps by uniformed employees. A swap is defined as a voluntary exchange (trade) of specific shifts by two employees in the same title that (a) is initiated solely for the benefit of the affected employees and (b) under normal circumstances, will not affect the compensable hours worked by each employee. A swap is a total exchange with two parts: the initial swap and the payback swap. Employees must formally request permission to swap by completing Swap Form #1032. Each swap must be for a full eight-hour shift, and must be repaid within one year of the initial swap date. Employees are required to annotate their timecards to

note the swap and the name of the employee they are substituting for (or who is substituting for them). Employees engaged in swapping receive their regular bi-weekly pay, with no change because they worked fewer or more shifts due to swaps; i.e., swaps must balance each other. Working a swapped shift does not entitle an employee to overtime. DOCS does not have any directives for the swapping of shifts by civilian employees.

### Civilian Employees

Facility management is responsible for establishing and implementing proper payroll and timekeeping controls to ensure that payroll expenditures are necessary and bona fide. A primary supervisory function is to ensure accurate and timely reporting of employee attendance and thereby prevent or detect abuse.

Our review of payroll transactions disclosed that civilian staff in the Nursing Unit commonly swapped shifts, without any authority to do so. These practices appear to have been condoned by unit management. Records for the Nursing Unit workers for two years (December 24, 2004 through December 30, 2006) showed that three employees had engaged in shift swapping, for a total of 1,625 hours. We determined that, as of December 31, 2006, one employee owed 16 hours; another employee worked an extra hour; and the third employee worked 16 extra hours. We also found that a fourth employee (a part-time nurse) had been allowed to exchange a work shift in one pay period with another shift from a different period (no other employee was involved). Although the person was paid correctly, this practice is not allowed.

In addition, we examined records for eight Food Service workers for three years (January 2, 2004 through December 30, 2006). We

found that 4 workers had engaged in shift swapping, for a total of 160 hours. These swaps were done without any documented prior written approval by their supervisors. The swaps were noted on timecards. These timecards noted “working for A” or “B working for me,” to indicate the swap to the timekeeper.

There was no evidence that DOCS central office knew about civilians swapping shifts. We concluded that supervisors who signed timecards did not exercise appropriate oversight, as there is no directive or policy authorizing civilians to swap, and failed to take corrective action to stop the practice. As a result, the facility does not have adequate controls over its civilian employees to ensure swaps are completed and any time owed is repaid.

We provided the details to DOCS in a preliminary findings report. In response to our preliminary findings, DOCS officials indicated that they would not cease the practice of swapping shifts by civilian employees, and are in the process of evaluating this local practice and formulating policy to address it. They added that the facility will continue to monitor these swaps. We note, however, that during our field work, there was no evidence that civilian swaps were documented or monitored properly, or that DOCS central office was aware of this practice.

### Uniformed Employees

Semiannually, Otisville produces a report showing the name of the individual, the number of swaps worked, the number of swaps owed, and the total number of hours owed by the correction officers. We analyzed three reports for the period June 1, 2005 through January 1, 2007, and identified five individuals who were listed in the top ten of

swaps owed for each of the three semiannual reports. We assessed whether adequate controls, as called for in Directive 2223, were in place to properly record, monitor, and control the swapping activities of the five selected employees. Our review of the five individuals covered the six-month period from June 22, 2006 through December 20, 2006. A total of 489 swaps were arranged by the 5 individuals for this period. We found that all swap forms had been completed and approved appropriately.

In addition, we reviewed the timecards of the five individuals and of those who swapped with them for 343 of the 489 swaps. Supervisors did not ensure that time cards reflected the proper information on the individuals engaged in swapping. We found 21 instances in which officers did not note the swaps on their timecards properly (some did not make any notation at all, and others noted the swap but not the name of the employee who they would be working for). If all names are not indicated on timecards as required by the directive, it would be difficult to readily identify the employees involved in the swap.

#### Verification of Employees

We tested whether every employee charged to Otisville's payroll on March 30, 2007 was actually working at the facility. We found that five individuals on Otisville's payroll were actually working elsewhere within DOCS. Two of the five individuals were not sending in their timecards to Otisville; therefore, the facility did not have adequate documentation that these employees were actually working and entitled to their paychecks. Facility management told us they have taken action to ensure timecards for these two employees are submitted.

In addition, on March 30, 2007, the facility had a paycheck from the prior pay period for

one employee. After we made several attempts to locate the employee, we were advised that the individual was a per diem employee and no longer worked at the facility. However, there was no documentation to support that the employee no longer worked at Otisville. We were provided with a letter dated June 12, 2007, stating that the employee no longer worked at Otisville.

In response to our preliminary findings, DOCS officials indicated they need to have the flexibility to reassign staff. However, at the closing conference, DOCS officials agreed that when a reassignment becomes a long-term assignment, the position and responsibility for handling timecards and payroll should be reassigned as well.

#### Additions and Deletions to the Payroll

State agencies should ensure that employees' names are added to and deleted from the payroll in a timely manner to avoid delays in paying new employees and overpayments to departing employees.

There were 18 additions and 41 deletions (resignations /retirements /terminations) to the Otisville payroll for the period April 2005 through March 2007 (correction officers are not included since they are appointed and put on the payroll by the central office). We randomly sampled 5 of the 18 additions (28 percent) and 5 of the 41 deletions (12 percent) to determine whether employees had been added or deleted from the payroll properly in a timely manner. For the additions, we found all five transactions were processed correctly. For the deletions, we found one of the five employees was overpaid for two days. This employee was placed on "lost time" beginning on March 25, 2004, when he was incarcerated. However, due to insufficient review of timecards, the lost time was not

noted, resulting in an overpayment. This overpayment also inflated a retroactive check paid to this employee. The net overpayment totaled \$897. DOCS officials replied to our preliminary findings, indicating that the employee cited was not overpaid. However, DOCS officials provided no documentation to support their position.

### **Recommendations**

1. Prepare a schedule of the status of all civilian swaps that have not been completed and set a date for each swap to be completed.
2. Determine whether civilian swaps will be allowed and, if the decision is to allow swaps, establish formal procedures for this practice.

(In replying to our draft report, DOCS officials stated that they agree in part with the recommendation because they have not ceased the practice of swapping shifts by civilian employees. They stated that the Department's Personnel Office and Counsel's Office are in the process of evaluating this practice and formulating a written policy to address the informal local practice of civilian employee swapping. The facility will continue monitoring swaps by civilian employees to ensure proper payroll payments.)

3. Ensure that all staff record swap information properly on their respective timecards.
4. Ensure the proper assignment of staff to the payrolls of their actual work locations.
5. Ensure the proper review of timecards so employees are paid only for time worked.
6. This recommendation has been deleted.

**Auditor's Comments:** The original recommendation was "Recoup the \$897 overpayment cited in this report." DOCS officials stated that the amount of the overpayment based on their review of the records was \$82.70 for pre-shift briefing which should not have been paid in this case. DOCS determined that it is not cost effective to pursue recovery from this former employee which occurred over three years ago. While we accept their decision not to recover this amount, DOCS' officials have to ensure that controls to prevent any overpayments are working.

7. Delete employees from the payroll promptly and process any adjustments in a timely manner.

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### *Inmate Accounts*

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Otisville houses approximately 600 inmates. Every inmate has an inmate account, whether or not he has any funds. Inmates may use these accounts to make transactions, such as purchases from outside vendors or from the commissary. The Inmate Accounts Unit is responsible for keeping track of inmate account balances.

The facility manages inmate funds by depositing them into either a checking account or a savings account. The total of these two accounts must equal the combined balance of all the individual inmate accounts. We examined the checking account and the savings account for the period April 1, 2005 through January 31, 2007. The checking account balance as of the end of this period was \$119,963.97. The savings account balance was \$195,588.50. We noted that only one deposit had been made to the savings account during the entire period.

We found Otisville needs to improve the management of inmate funds to earn a higher rate of return, strengthen control and accountability over funds relating to inmate organizations, and ensure that stop payments are placed on checks outstanding more than six months.

#### Investment of Inmate Funds

According to DOCS Directive 2798, the balance of the checking account shall be maintained at a sufficient level to cover daily inmate transactions. The directive further states that all facilities shall make a reasonable effort to ensure that they are obtaining the best return on their reserve funds. Reserve funds may be invested in a savings account, certificate of deposit (up to one year maturity), or money market account. Interest earned from the reserve funds should be paid on a quarterly basis to inmates whose average account balance exceeds \$100.

We found the facility did not manage inmate funds in a manner that earns the highest rate of return. Checking account balances ranged from \$59,411 in June 2005 to a high of \$181,458 in June 2006. In analyzing the monthly disbursements, we determined that the average amount needed to pay inmate bills was \$63,532. If the facility had transferred excess money into its savings account as required, the facility could have earned at least \$2,755 more in interest over the period of our review. However, the facility did not review the inmate balances monthly and/or quarterly in an effort to implement Directive 2798.

We also noted that the funds are invested in a standard savings account with a return ranging from 1.5 percent to 3.3 percent, while certificates of deposit and money market accounts pay significantly higher returns.

DOCS officials advised us that Otisville has opened a certificate of deposit on behalf of its inmate accounts, and provided us with a copy of this certificate. Otisville officials advised us that they have trained the Principal Account Clerk in monitoring the inmate account balances.

#### Inmate Organizations

An inmate organization is a collective inmate group that has been approved to function by the Deputy Commissioner for Program Services through a formal application and review process. The procedures for application and review are set forth in Section III of DOCS Directive 4760. Subgroups of inmate organizations are Special Purpose Organizations only if they have been approved through the formal application process. Inmate Liaison Committees are not inmate organizations. Most inmate organizations can generally be categorized as interaction, interest, and service-providing. Organizational activities may consist of lectures, constructive leisure time, programs, community participation events, and fund-raising. An organization may establish itself as a chapter of an outside state or national organization. Membership of organizations is specified in the Directive. Otisville has five inmate organizations: African American Organization (AAO), Hispanics United for Progress (HUP), Asian Cultural Organization (ACO), Italian American Organization (IAO), and Caribbean African Unity (CAU).

According to Directive 4760, the responsibility for assessing the need for a particular inmate organization at a facility and its incorporation in the overall program rests with the Superintendent. The operations of all inmate organizations are under the administrative control and responsibility of the facility. Each inmate organization is under

the direct supervision of a facility staff person known as the staff advisor.

Inmate organizations may have approved “fundraisers.” These are intended to raise funds for the inmate organization so it can provide enrichment programs for members and the general population. Inmate organizations must donate to the general population, within each fiscal year, a minimum of 50 percent of the profits from fundraisers. Examples of donations that have been made include toys for Kiddy Corner, toys for visitors, roses for Mother’s Day, and toasters/irons for housing units.

We determined that Otisville’s controls over fundraisers and its use of inmate organizations’ funds are not in compliance with Directive 4760. We also noted a lack of administrative oversight and monitoring by facility officials. The staff advisor we interviewed stated to us that the facility does not actually calculate each organization’s profits and ensure the minimum of 50 percent of profits is donated to the general population. Instead, each organization takes a turn paying for events and there is no effort to ensure profits are shared as required.

We reviewed three examples of fundraising transactions. On May 12, 2005, a case of film was purchased for \$600. On September 13, 2005, twenty-seven trays of muffins were purchased for \$146. On March 30, 2006, a total of 288 pies was purchased for \$259. The vendors for these events were selected by staff advisors, who could not demonstrate that competition was obtained for these purchases. In addition, they could not provide records that showed the profit from these events, or how it was allocated.

DOCS officials replied to our preliminary findings that they have taken corrective action and are monitoring fundraiser transactions,

and plan on analyzing past fundraising event documentation. DOCS officials indicated the facility will ensure that 50 percent of profits go to the general population in the future.

#### Transfer of Inmates

DOCS has issued policies and procedures to be followed regarding the transfer or release of inmates. When an inmate transfers to another facility or is released, the Business Office is required to review and close out the inmate’s account. This entails the analysis and processing of all current and pending financial transactions, and the issuance of a check for the balance due. If checks are not officially stopped, there is an increased risk that an employee could write out a check to himself to compensate for the outstanding uncashed checks.

We reviewed records for ten inmates who were transferred or paroled for the period April 2005 through January 2007 to determine whether the facility had transferred funds out of the inmates’ accounts properly and had sent a check to the next facility or to the inmate, as appropriate. We tested records for five inmates transferred out and five paroled inmates. We found that one check for a paroled inmate was written on August 1, 2006, but was still outstanding in March 2007, more than six months later. We informed facility management, and a stop payment was placed on March 20, 2007. The inmate was in the custody of the Federal Bureau of Prisons. A replacement check was sent on March 20, 2007, and the check was cashed on March 27, 2007. The funds for the other 9 inmates were properly handled.

DOCS officials replied that the Principal Account Clerk has received training and will monitor the checking account for outstanding checks.

### Recommendations

8. Monitor the checking account to maintain an appropriate level of available funds.
9. Invest inmate excess funds where they can earn a higher return, such as in certificates of deposit or a money market account.
10. Establish appropriate controls that ensure that inmate organization fundraisers are managed properly and that the funds are accounted for.

(DOCS officials replied to our draft audit report that they agree in part with the recommendation insofar as inmate organization funds were not properly accounted for. To address this starting April 7, 2008 an Inmate Organization Fundraiser Profit Status Report, which reconciles the earned profits to the amounts donated to the General Population, has been provided to the inmate organizations on a quarterly basis. Regarding the fund raising transactions, DOCS stated they are not aware that bids are required for purchases from sole custody accounts on behalf of inmate organizations. Facilities have some discretion in this area. If a Superintendent approves a fund raising event, the staff advisor in consultation with the inmates in the organization will arrange it with the business office. Every event is a case-by-case situation based upon local resources available to the facility.)

Auditor's Comments: We are pleased that DOCS is complying with its requirement to properly account for fundraiser profits. It is also important that the facility keeps records to support the amount of moneys from inmate organizations that are used to pay expenses necessary for the purchase and sale of items at the events. While

bids may not be required for purchases from sole custody accounts maintained on behalf of inmates, efforts to ensure competitive prices should be made where warranted and practical.

11. Ensure that 50 percent of fundraiser profits go to the general population.
12. Monitor the checking account used for inmate accounts and stop payment on checks that are outstanding beyond the six-month limit.

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### *Procurement*

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During fiscal year 2004-05, the facility processed 2,392 payments with 400 vendors, aggregating \$3,531,089. In fiscal year 2005-06, it processed 2,360 payments with 407 vendors, aggregating \$3,744,261.

We performed tests to determine whether Otisville followed selected State and agency procurement guidelines and policies, including the State Finance Law. To achieve our objective, we selected a judgmental sample of 20 vendors with purchases totaling \$468,957 over the 2 fiscal years that ended on March 31, 2006. Eleven of these vendors had contracts; nine did not. We also reviewed all instances in which more than \$15,000 was paid to the same vendor in one year. In the 2004-05 fiscal year, 36 vendors were paid more than \$15,000, which accounted for \$2,815,758. In the 2005-06 fiscal year, 35 vendors were paid more than \$15,000, which accounted for \$3,066,096. For a judgmental sample of ten vendors that had purchases totaling between \$5,000 and \$15,000, we determined whether facility staff had obtained competitive quotes.

Facility management is responsible for establishing and implementing proper purchasing controls to ensure that facility

expenditures are necessary and bona fide and are obtained at the best possible price. DOCS central office has issued directives for facilities to follow. Directive 2916, Purchasing Supplies and Equipment, indicates that it is the policy of the State to obtain services (including technology) on the basis of best value, and commodities on the basis of lowest price, from responsible vendors.

The Economic Development Law requires that all procurements by State agencies in excess of \$15,000 be advertised in the State's procurement opportunities newsletter. In addition, the State Finance Law requires that State agencies use a formal competitive process for procurements valued at more than \$15,000 (revised to \$50,000 as of April 2006).

We identified the following instances for which required contracts were not obtained for procurements valued at more than \$15,000:

- Purchases of auto parts from one vendor, exceeded the \$15,000 threshold in each of the two years audited. Therefore, a contract is required by State law. Purchases totaled \$37,008 in the 2004-05 fiscal year and \$17,993 in the 2005-06 fiscal year. These procurements were not advertised. Otisville officials advised us they did business with this local vendor because the vendor delivers to the facility and because the Statewide contract for this commodity does not include the geographical area around Otisville.
- In the 2004-05 fiscal year, there were purchases in excess of \$15,000 for six other vendors without contracts as required by State law. These purchases totaled \$114,063.

- Total purchases from three other vendors during the two-year period exceeded \$15,000 each, apparently in ongoing business relationships. The purchase amounts increased over the two years for two of these vendors but remained at a similar level for the third vendor.

In addition, DOCS officials indicated it is their practice to require three verbal, competitive quotes for procurements valued between \$5,000 and \$15,000. We noted the following instances of noncompliance with this practice.

- For three purchases in this range totaling \$17,673, the files contained no evidence of competitive quotes. Agency officials indicated that an emergency had occurred in two of these purchases, and it is their practice to use a previous vendor or a vendor suggested by an employee. Otisville officials obtained approval from their Deputy Superintendent for Administration in these cases, but not from the DOCS Commissioner, as required.
- For one purchase valued at \$5,600, competitive quotes were sought, but none were obtained.
- For one other purchase in this range, totaling \$8,063, the facility could document only that it had solicited one vendor, who wrote that he did not have the capacity to provide the goods. Instead of seeking quotes, the facility awarded the purchase to a vendor it had done business with previously.

Without documentation to support that other vendors were given the opportunity to quote a competitive price, there is inadequate

assurance the facility obtained the best value or lowest price. Although facility officials are permitted to let a contract in the case of an emergency without full compliance with procurement requirements, they must receive approval from the agency head or designee, and still make a reasonable effort to obtain competition. Otisville officials provided no reason or explanation for not obtaining three quotes in the two emergency cases.

### **Recommendations**

13. Comply with State requirements and obtain contracts as required.
14. Obtain competitive quotes in all cases where required by procurement law or policy.
15. Obtain agency head approval for emergency contracts or exceptions from procurement requirements.

### **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited selected fiscal operations at Otisville, including payroll and timekeeping, inmate accounts, and procurement. Our audit covered the period April 1, 2005 through March 31, 2007. To accomplish our objective, we reviewed payroll and timekeeping records, inmate account transactions, and procurement records. We also interviewed Otisville officials and DOCS central office officials. We selected a random sample of 5 of the 18 employees added to the facility's payroll and 5 of the 41 employees deleted from the payroll during our audit period. We reviewed a sample of 20 vendors with purchases of \$468,957 during the two fiscal years ended March 31, 2006, to determine whether the facility followed

selected State and agency procurement guidelines and policies, including the State Finance Law. We also examined records for the Nursing Unit workers from December 24, 2004 through December 30, 2006, to determine whether they were paid for the hours worked. In addition, we reviewed the time records for the Food Service Unit from January 2, 2004 through December 30, 2006. For five judgmentally selected uniformed employees, we reviewed 343 of the 489 swaps arranged by these employees, from June 22, 2006 through December 20, 2006. For inmate accounts, we reviewed transactions related to donations to inmate organizations, disbursements from inmate accounts, and investment of excess inmate funds for the period April 1, 2005 through January 31, 2007. We also reviewed certain inmate organization activities for the period April 1, 2005 through March 31, 2007.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

### **AUTHORITY**

We performed this audit pursuant to the State Comptroller's authority as set forth in Article

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V, Section 1, of the State Constitution and Article II, Section 8, of the State Finance Law.

### **REPORTING REQUIREMENTS**

A draft copy of this report was provided to DOCS officials for their review and comment. Their comments were considered in the preparation of this final report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the

Department of Correctional Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include Carmen Maldonado, Robert Mehrhoff, Marianne Boyer, Rachelle Luchkiw, Jeffrey Dormond, and Paul Bachman.

## APPENDIX A - AUDITEE RESPONSE



BRIAN FISCHER  
COMMISSIONER

STATE OF NEW YORK  
DEPARTMENT OF CORRECTIONAL SERVICES  
THE HARRIMAN STATE CAMPUS - BUILDING 2  
1220 WASHINGTON AVENUE  
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September 8, 2008

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
123 William Street, 21<sup>st</sup> Floor  
New York, NY 10028

RE: Draft Audit of Selected Fiscal  
Operations at Otisville Correctional  
Facility (Report 2007-S-2).

Dear Ms. Maldonado:

In accordance with Section 170 of the Executive Law and in response to your correspondence of August 1, 2008, attached is the Department's reply to the Draft Audit of Selected Fiscal Operations at Otisville Correctional Facility, Report 2007-S-2.

DOCS would like to acknowledge the time and effort of all employees that were involved with this audit and their desire to improve the Department's operation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Fischer', written over the word 'Sincerely,'.

Brian Fischer  
Commissioner

Attachment



STATE OF NEW YORK  
DEPARTMENT OF CORRECTIONAL SERVICES  
**OTISVILLE CORRECTIONAL FACILITY**  
P.O. BOX 8  
OTISVILLE, NEW YORK 10963  
(845) 386-1490

**BRIAN FISCHER**  
COMMISSIONER

**CATHERINE A. COOK**  
SUPERINTENDENT

September 3, 2008

Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of the State Government Accountability  
123 William Street – 21<sup>st</sup> Floor  
New York, NY 10038

Re: Audit Report 2007-S-2  
Otisville Correctional Facility

Dear Ms. Maldonado:

We have reviewed the Audit Report of selected Operating Practices and offer the following comments:

Recommendation 1: Prepare a schedule of the status of all civilian swaps that have not been completed and set a date for each swap to be completed.

Response: We agree. All civilian swaps have been completed.

Recommendation 2: Determine whether civilian swaps will be allowed and, if the decision is to allow swaps, establish formal procedures for this practice.

Response: We agree in part. DOCS has not ceased the practice of swapping shifts by civilian employees. The department's Personnel Office and Counsel's Office are in the process of evaluating this practice and formulating a written policy to address the informal local practice of civilian employee swapping. The facility will continue monitoring swaps by civilian employees to ensure proper payroll payments.

Recommendation 3: Ensure that all staff record swap information properly on their respective timecards.

Response: We agree. The following memos were issued on July 26, 2007:

1. From the Captain to be read at line-up to all Correction Officers regarding the recording of swaps on their time cards.
2. From the Time and Attendance Lieutenant to all Sergeants that they are to do daily timecard reviews when they are assigned as the Chart Sergeant.
3. From the Captain to the Time and Attendance Lieutenant and the Timekeeper with regard to the appropriate review and reconciliation of Correction Officer time cards, the daily swap sheet and completed swap request forms.

Recommendation 4: Ensure the proper assignment of staff to the payrolls of their actual work locations.

Response: We agree in part. In order to maintain the safe, secure and orderly operation of all facilities, the department needs to have the flexibility to assign an employee to another location as deemed necessary. It is noted that there were two positions which were assigned to Central Office. One position has been reassigned to Central Office payroll and the other position has been vacated.

Recommendation 5: Ensure the proper review of timecards so employees are paid only for time worked.

Response: We agree. The Deputy Superintendent of Administration issued a memorandum on October 9, 2007 to supervisory staff instructing them to review all timecards to ensure that employees are only being paid for hours they have worked.

Recommendation 6: Recoup the \$897 overpayment cited in this report.

Response: We disagree. OSC found that the employee in question was overpaid by \$897.00. DOCS found that the employee in question was overpaid \$82.70 for the period 3/31/05 to 4/13/05. Ten days lost time was processed in PayServ for 3/31/05-4/13/05 for pay end date 4/13/05. When lost time was taken, it did not include the amount paid for preshift briefing. Therefore, the employee received a paycheck dated 4/28/05 for the amount of \$82.70 which represents his biweekly preshift briefing. Coincidentally this was the pay period in which preshift briefing was to be automatically calculated by the Pay Serv system. This could have caused additional confusion to the preshift briefing payment. Please refer to OSC Payroll Bulletin 547.

Paycheck date 5/12/05 was a zero paycheck. This was generated to correct employee's history. No payment was made. No overpayment was generated or ever entered in PayServ either by DOCS payroll or OSC audit staff.

Central Office Budget and Finance recently contacted the Payroll Audit Section of OSC to review the employee in question paychecks and payroll history and they concurred the employee in question was only overpaid the preshift briefing in the amount of \$82.70.

DOCS has determined it is not cost effective to pursue recovery from this former employee for an overpayment of \$82.70 which occurred over three years ago.

Recommendation 7: Delete employees from the payroll promptly and process any adjustments in a timely manner.

Response: We agree. Deletions should be processed in a timely manner. However, unusual circumstances, such as labor management arbitration decisions and early payroll submission dates, can impact deletion timeframes. In such cases, it is incumbent upon administrative and timekeeping staff to process and forward deletion paperwork to the payroll unit without delay.

Recommendation 8: Monitor the checking account to maintain an appropriate level of available funds.

Response: We agree. The Principal Account Clerk was trained and directed to monitor the Inmate Funds checking account to ensure that balances that are in excess of levels needed to cover normal inmate expenses are transferred into the interest bearing account. This employee was promoted in

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December of 2007 and we are currently in the process of training our new Principal Account Clerk hired in June of 2008

Recommendation 9: Invest inmate excess funds where they can earn a higher return, such as in certificates of deposit or a money market account.

Response: We agree. On 8/9/07, approximately 50% of Inmate Reserve Funds were deposited into a CD with a savings and loan company. Business Office supervisory staff will continue to monitor the checking and reserve accounts and will take appropriate action to earn interest on excess checking account funds and obtain competitive rates of return on reserve funds.

Recommendation 10: Establish appropriate controls that ensure that inmate organization fundraisers are managed properly and that the funds are accounted for.

Response: We agree in part. The inmate organization funds were not properly accounted for. In accordance with Directive #4760, "Inmate Organizations", the facility maintains and monitors a separate ledger account for the inmate organizations where all receipts and disbursements are recorded and balanced daily with monthly statement reconciliations. Beginning on 4/7/08, an Inmate Organization Fundraiser Profit Status Report, which reconciles the earned profits to the amount donated to the General Population, has been provided to the inmate organizations on a quarterly basis.

In response to the audit report findings concerning fund raising transactions, DOCS is not aware that bids are required for purchases from sole custody accounts on behalf of inmate organizations. Facilities have some discretion in this area. If a Superintendent approves a fundraising event, the staff advisor in consultation with the inmates in the organization will arrange it with the business office. Every event is a case-by-case situation based upon local resources available to the facility. In accordance with Directive #4760, Section VII, C-3, the onus is upon the inmate organization to initiate the purchasing request. It states, in part, "...the inmate organizations shall be responsible for obtaining facility approvals, and preparing and submitting purchase order requests to the Business Office with sufficient lead time to allow for routine processing." DOCS agrees it is reasonable for facility staff to seek the best price for a purchase based upon what the inmate organization is requesting and the vendors available in the area.

Recommendation 11: Ensure that 50 percent of fundraiser profits go to the general population.

Response: We agree. Facility business office supervisory staff have adjusted appropriate ledgers in the computerized checking account system in order to properly document the required 50% of profits donation to the General Population account.

Recommendation 12: Monitor the checking account used for inmate accounts and stop payment on checks that are outstanding beyond the six-month limit.

Response: We agree. The Principal Account Clerk who oversees this process has been trained and advised to monitor the correct processing and timeframes for stop payments of outstanding checks. This employee was promoted in December of 2007 and we are currently in the process of training our new Principal Account Clerk hired in June of 2008.

Recommendation 13: Comply with State requirements and obtain contracts as required.

Response: We agree. Contracts should be let as required by State requirements. We have made arrangements to purchase automotive parts with a statewide contract vendor.

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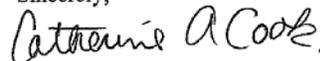
Recommendation 14: Obtain competitive quotes in all cases where required by procurement law or policy.

Response: We agree. Purchases should be processed according to state and agency procurement guideline/policies and state finance law. The current new Administration is reviewing our procurement practices and is making appropriate changes as needed. Quotes will be obtained where required by law or policy.

Recommendation 15: Obtain agency head approval for emergency contracts or exceptions from procurement requirements.

Response: We agree. DOCS's interpretation of the Agency Head at a Correctional Facility for emergency/exception purchases is the Superintendent. The Superintendent at a Correctional Facility is most familiar as to what is needed during a facility emergency situation. At this facility, the Superintendent signs off on all purchase requests. In addition, we will indicate clearly on the request that it is an emergency/exception purchase. It is noted that Departmental Directive #2916, "Purchasing Supplies and Equipment", is currently being revised to identify the Superintendent as the Agency Head at a correctional facility.

Sincerely,



Catherine A. Cook  
Superintendent