



STATE OF NEW YORK  
OFFICE OF THE STATE  
COMPTROLLER

July 28, 1998

Mr. Glenn S. Goord  
Commissioner  
Department of Correctional Services  
State Campus, Building 2  
Albany, New York 12226

Re: Report 98-F-13

Dear Mr. Goord:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we reviewed the actions taken by Department of Correctional Services' officials as of May 31, 1998, to implement the recommendations contained in our prior audit, "Controls Over Inmate Accounts at Five Correctional Facilities in New York City" (Report 95-S-89 issued September 4, 1996). Our prior audit addressed controls over inmate accounts at the Bayview, Edgecombe, Fulton, Lincoln and Parkside Correctional Facilities.

### **Background**

The Department of Correctional Services (DOCS) operates Work Release Programs at 11 correctional facilities. These programs allow inmates into the community to work or be trained in job skills. To help defray the cost of their incarceration, inmates are required to pay the facilities a weekly fee, which the facilities are required to send to the State Treasury. Inmates' personal funds, including their paychecks from Work Release jobs, are managed by the facilities in accounts established for these funds.

### **Summary Conclusions**

Our prior audit found that, at four of the five facilities covered by our audit, the amount of inmates' cash in the bank was less than the amount indicated by facility records. We identified several internal control weaknesses that may have contributed to the recorded cash shortages. We also found that inmate fees were often not collected by the facility staff, and the fees they collected were sometimes not sent to the State Treasury. We further noted that, with certain improvements, inmate account transactions could be processed more efficiently and effectively. Our follow-up review found that DOCS has improved the controls over inmate account operations at the five facilities. However, there is still a need for further improvements especially related to the

upgrading of computerized systems.

### **Summary of Status of Implementation**

Of the 20 prior report recommendations, DOCS has fully implemented 10, partially implemented 6 and not implemented 4 recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Ensure that, each month, the facilities reconcile their records of inmates' cash to the cash in the bank.*

#### **Status - Fully Implemented**

Agency Action - DOCS instructed facility superintendents that, each month, staff are required to reconcile their records of inmates' cash to the actual amount of cash in the bank as reported on bank statements, and that the failure to maintain complete and accurate records may result in disciplinary action. In addition, a Central Office audit team provided on-the-job training to facility staff so that they can perform their assigned duties effectively. We reviewed bank reconciliations at three of the five facilities and verified that records of inmates' cash were being reconciled to the cash in the bank.

#### **Recommendation 2**

*Ensure that the facilities accurately record inmate account transactions.*

#### **Status - Fully Implemented**

Agency Action - Facility staff were trained in the proper procedures required to accurately record inmate account transactions. In addition, the facilities are required to submit their inmate account balance sheets ending March 31 and September 30 of each year to DOCS Central Office staff for review and follow-up. Based on our review of the daily Inmate Account Balance Sheets at three of the five facilities, we found that facility staff accurately recorded inmate account transactions.

#### **Recommendation 3**

*Identify the reasons for the discrepancies between inmate account records and records of cash in the bank at the five facilities.*

#### **Status - Fully Implemented**

Agency Action - A Central Office audit team completed bank reconciliations for several years and adjusted Inmate Commissary and Accounting System (ICAS) account ledgers to reflect actual accounting transactions. The audit team determined specific causes for many of the discrepancies between cash in the bank and inmate accounting records. The team could not account for all of the discrepancies because some records were either not reliable or were unavailable.

**Recommendation 4**

*Closely monitor inmate account operations at the facilities.*

**Status - Fully Implemented**

Agency Action - DOCS advised us that it has instructed facility superintendents that ensuring staff maintain complete and accurate records is an important function that requires their considerable attention and oversight. DOCS officials also indicated Central Office staff review each facility's computerized record of inmate accounts twice a year.

**Recommendation 5**

*Formally assess the risks posed to inmate account operations by Work Release Program transactions.*

**Status - Partially Implemented**

Agency Action - DOCS officials advised us that a Central Office Task Force was established to review Work Release program requirements in order to determine how these requirements impact on the operations of the facility inmate accounting offices. Due to other programming priorities, they have not been able to implement all of the Task Force's recommendations. However, DOCS indicated that it has implemented the most important suggestion which was to establish Work Release Advance Accounts. In addition, DOCS officials stated that they have made significant changes to the Inmate Accounting System.

Auditors' Comments - DOCS should continue to implement the recommendations made by the Central Office Task Force.

**Recommendation 6**

*Update the procedures manual for inmate account operations.*

**Status - Partially Implemented**

Agency Action - DOCS officials advised us that a draft of the revision of the ICAS Manual has been initiated and a formal revision will be started soon. In addition, the agency continues to notify facility staff of new policies and revisions to current policies via statewide memos.

Auditors' Comments - DOCS should complete the process of revising its procedures manual.

**Recommendation 7**

*Ensure that employees involved in inmate account operations are adequately trained in their duties and understand internal controls.*

**Status - Fully Implemented**

Agency Action - The fiscal team assigned to the DOCS facilities in New York City have provided both written and verbal step-by-step instructions for processing and controlling inmate account transactions.

**Recommendation 8**

*Ensure that the duties relating to inmate account operations are adequately separated among different employees.*

**Status - Fully Implemented**

Agency Action - DOCS officials advised us that they implemented appropriate internal controls to ensure that duties relating to inmate account operations are adequately separated among different employees. We observed this to be the case at the three facilities we visited.

**Recommendation 9**

*Ensure that, each month, the facility staffs accurately reconcile inmate account checkbook balances to the related bank statements.*

**Status - Fully Implemented**

Agency Action - New York City facility staff have received training in reconciling the checkbook balances to the related bank statements in an accurate and timely manner. In addition, as previously stated, facility staff are required to submit their inmate account balance sheets to the DOCS Central Office for the months ending March 31 and September 30 of each year.

**Recommendation 10**

*Ensure that facilities accurately account for unpaid loans to inmates.*

**Status - Fully Implemented**

Agency Action - DOCS officials advised us that all of the facilities have established accurate records of money owed by inmates. DOCS has also performed audits at each facility and provided training to facility personnel. In addition, DOCS implemented changes to the automated inmate accounting system to ensure that the facility staff is able to accurately account for all monies owed by inmates.

**Recommendation 11**

*Ensure that facilities make more of an effort to collect unpaid loans from all inmates.*

**Status - Partially Implemented**

Agency Action - Facility staff have been instructed to make every attempt to ensure that funds advanced to inmates are repaid. Once an inmate receives a loan, DOCS' computer automatically applies all incoming funds to the loan. This helps ensure that the maximum amount possible is collected from inmates for monies advanced to them. In addition, DOCS officials advised us that they have eliminated the expenditure of taxpayer funds to cover the bad debts of inmates. The commissions the phone company pays the State for collect calls made by inmates on State-owned telephones are now used to pay for bad debts.

Auditors' Comments - DOCS should revise its procedures to include limits on the dollar amount and time period of the loans.

**Recommendation 12**

*Ensure that facility staff sends participation fees to the State Treasury biweekly.*

**Status - Partially Implemented**

Agency Action - For the period January 1992 through May 1998, DOCS reported that it submitted \$5,863,602 in participation fees to the State Treasury. However, three of the five facilities did not remit participation fees in a timely manner for one or more months during the sampled period December 1997 through February 1998. At one facility, fees were not submitted for four months. DOCS officials explained that delays in submitting these fees were due to record keeping problems and a need for guidance from Central Office staff. DOCS indicated that facility managers are responsible for ensuring that the

fees are submitted in a timely manner. Additionally DOCS stated that facility managers have been trained in the proper procedures and that this area is monitored by Central Office staff.

Auditors' Comments - DOCS should ensure that facility staff remit participation fees to the State Treasury in a timely manner.

**Recommendation 13**

*Ensure that Fulton Correctional Facility maintains complete records relating to participation fees.*

**Status - Fully Implemented**

Agency Action - Staff at Fulton as well as the business office staff at all of the New York City Work Release Facilities have been instructed and trained to record fees accurately and to maintain the necessary accounting ledgers.

**Recommendation 14**

*Ensure that ICAS records show which inmates are required to pay administration fees and how much each owes.*

**Status - Not Implemented**

Agency Action - DOCS officials advised us, that due to other priorities, this enhancement has not been implemented. They expressed their intention to develop a tracking mechanism to identify who and when inmates are classified as Day Reporters (inmates who live in the community and report to a facility periodically), Work Release and/or Residential Treatment. Through the development of such a mechanism, DOCS would then be able to ensure that inmates who are required to pay the administration fee are charged.

Auditors' Comments - DOCS should pursue its intention to develop a tracking mechanism that would enable the agency to identify which inmates are required to pay administration fees and how much each owes.

**Recommendation 15**

*Either ensure that the facilities comply with the policy requiring all day reporting inmates to pay the administration fee or modify that policy.*

**Status - Not Implemented**

Agency Action - The Work Release Task Force made recommendations that would help to ensure that a standardized policy for collecting fees from day reporting inmates be in place. DOCS advised us that the Task Force's recommendations in this area have not been implemented. The agency believed that it would be best to implement new policies relating to day reporting inmates at the time an automated collection system is introduced.

Auditors' Comments - Upon introduction of an automated collection system, DOCS should implement new policies to ensure that the facilities comply with the requirement that all day reporters pay the administrative fee.

**Recommendation 16**

*Ensure that the administration fee is collected from all inmates who are required to pay the fee.*

**Status - Not Implemented**

Agency Action - DOCS indicated that automation of the collection process for administration fees would provide a standardized method for collecting the fees. Although the agency expressed its intent to implement an automated collection system, DOCS advised us that due to other priorities, it has not had the resources to accomplish this. In spite of the lack of automation for collecting administration fees, the agency reported it remitted \$2,826,902 in administration fees to the State Treasury for the period January 1992 through May 1998.

Auditors' Comments - DOCS should ensure that the administration fee is collected from all inmates who are required to pay the fee.

**Recommendation 17**

*Restrict employee access to the ICAS so that related duties are adequately separated among different employees.*

**Status - Fully Implemented**

Agency Action - DOCS provided facility management with training on internal controls with special emphasis on proper separation of responsibilities. Based on our review at three of the five facilities, we conclude that DOCS implemented the above recommendation.

**Recommendation 18**

*Improve ICAS security by addressing the weaknesses we identified in employee passwords, unattended terminals, user IDs and transaction control numbers.*

**Status - Partially Implemented**

Agency Action - DOCS officials informed us that most facilities have installed a session manager software to restrict access to ICAS data. We found this to be the case at the three facilities we visited. DOCS officials also indicated that while improvements have been made to prevent employees from gaining system access at more than one facility, other improvements, such as posting users IDs on the system, have not been implemented, due to other priorities. They advised us that DOCS plans to further improve system security measures in the future. However, DOCS indicated that for most of the rest of 1998, the resources available to work on inmate account enhancements will be directed towards Year 2000 compliance.

Auditors' Comments - DOCS should continue to improve security related to ICAS.

**Recommendation 19**

*Review the ICAS to determine the feasibility of either implementing the enhancements recommended by the task force or updating the ICAS to a new system.*

**Status - Partially Implemented**

Agency Action - DOCS officials indicated that they have made significant improvements to ICAS including the establishment of Work Release Advance Accounts. They stated that changes were implemented to remove negative balances from ICAS and automate the process of advancing funds to inmates so that these advances do not require manual tracking. However, as stated earlier, DOCS indicated that further enhancements must be postponed until work is completed on Year 2000 compliance.

Auditors' Comments - DOCS should continue to implement the enhancements recommended by the task force. It should also consider the feasibility of updating the ICAS to a new system.

**Recommendation 20**

*Consider using new computer technologies to improve the management of inmate accounts.*

**Status - Not Implemented**

Agency Action - DOCS informed us that consideration of new computer technologies has not been possible as of this time. The agency further indicated it does not have a plan or the resources to do so until work is completed on Year 2000 compliance.

Auditors' Comments - DOCS should consider using new technologies to improve the management of inmate accounts. We believe that would ultimately result in improved operating efficiencies

Major contributors to this report were Barry Mordowitz, Peter Schmidt and Ira Lipper.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report.

We wish to thank the management and staff of DOCS for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

A handwritten signature in cursive script that reads "William P. Challice".

William P. Challice  
Audit Director

cc: Robert L. King, DOB