

REPORT DIGEST

DEPARTMENT OF CORRECTIONS - GENERAL OFFICE DEPARTMENT-WIDE FINANCIAL AND COMPLIANCE AUDIT (In accordance with the Single Audit Act of 1984 and OMB Circular A-128) For the Two Years Ended June 30, 1992

INTRODUCTION

Our report presents our financial and compliance audit of the Department of Correction's General Office, and our audit of the entire Department under the Single Audit Act of 1984. The Department administers 29 correctional facilities - 23 adult centers and 6 youth centers. Our special assistant auditors at the 29 correctional facilities performed various procedures in the areas of commodity inventories, property control, local funds, and data processing. Our auditors at the correctional facilities reported their findings to the General Office auditors for presentation in this "department-wide" financial and compliance audit.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO FILL MANDATED POSITIONS

The Department had two Deputy Directors assigned to two statutorily-created Assistant Directors' positions. The Unified Code of Corrections requires the Department's Adult and Juvenile Divisions to be administered by Assistant Directors appointed by the Governor. The State Officers' salaries for the two Assistant Directors total \$115,000 which the Department believes are inadequate. The Department paid a total of \$139,000 to the two Deputy Directors from its personal services appropriations. (Finding 1, page 9)

We recommended the Department continue to pursue legislation to remove the Assistant

Directors' positions from the statutes.

INADEQUATE INTERNAL AUDITING

The Internal Audit Division did not review all systems of internal control or visit six facilities during the audit period. The Fiscal Control and Internal Auditing Act requires all agencies to review their major internal control systems every two years. During the audit period, the Internal Audit Division did not review the Department's electronic data processing controls and the Internal Auditors did not perform surprise visits or cash counts at six correctional facilities. The six facilities not visited were Centralia, Harrisburg, Hill, Illinois River, Vandalia, and Vienna. (Finding 2, page 9)

We recommended the Department provide resources to the Internal Audit Division to acquire the necessary personnel and training to permit reviews of data processing controls, and visits to all correctional facilities.

Department officials accepted our recommendation and stated they are in the process of hiring an EDP auditor and developing plans for periodic site visits to the correctional facilities.

SOME INTERNAL CONTROL WEAKNESSES OVER CASH

Our Department-wide review of certain internal controls over local funds at the correctional facilities which was performed to allow us to give an opinion on the Department's financial statements revealed some weaknesses in the controls over cash. At four of 29 correctional facilities, we noted that there were procedural problems in segregation of duties over the handling of cash. Good internal controls require that duties over cash transactions be segregated to prevent one person from controlling transactions from start to finish and thus being in a position to conceal irregularities. We observed individuals with check signing authority who also mailed checks, received cash, made deposits, and reconciled the bank accounts. (Finding 7, page 15)

We recommended the Department review business office assignments at all facilities to ensure that cash receipt and disbursement duties are adequately segregated.

Department officials accepted our recommendation and stated they have reviewed the cash handling procedures with the facilities' business administrators.

DEFICIENCIES IN DEPARTMENT'S MONITORING OF FACILITIES' PERFORMANCE OF RECONCILIATION PROCEDURES

Our reviews of internal controls over data processing at the correctional centers revealed deficiencies in the Department's monitoring of facilities' performance in reconciling certain records. Each facility has a general ledger and three subsidiary systems - inventory, property, and accounting. Important internal controls which support the Department-wide accounting

records and reports are these reconciliations between the general ledgers and the subsidiary systems. At ten of the 29 correctional facilities, we noted that the reconciliations were inadequately reviewed, inadequately documented, or not performed. The reconciliations are critical to ensure the completeness and accuracy of financial information. (Finding 8, page 15)

We recommended the Department re-emphasize to the facilities the importance of performing the reconciliations as required by Department procedures.

Department officials accepted our recommendation and stated that they have taken corrective action at the facilities.

INADEQUATE ACCESS CONTROLS ESTABLISHED BY DEPARTMENT FOR SOME EDP SYSTEMS

Our reviews of internal controls over data processing which the Department has established at the correctional facilities revealed inadequacies in the controls over access to some computer systems. The current procedures for controlling on-line access to the Department's financial systems provides a significantly lower level of security in some areas than should be in place. At six of the 29 correctional facilities, we noted instances where: facility employees had General Office access and purchase approval authority; General Office employees had access and approval authority over facility inventory transactions; and facility supervisors with access to assets also had access to the systems records. (Finding 10, page 18)

We recommended the Department better use its current computer security programs to strengthen controls and on-line accesses to the various financial systems.

Department officials accepted our recommendation stating that some General Office staff have been given facility sign-ons to assist in problem resolution. The Department stated that it will review the need to continue the sign-ons.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next audit.

Mr. Mark B. Krell, Chief Auditor of the Department of Corrections, provided the agency's responses.

AUDITORS' OPINION

Our auditors state the June 30, 1992 financial statements of the funds administered by the Department are fairly presented.

_____ WILLIAM G. HOLLAND, Auditor General

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SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Audit findings 15 12

Repeated audit findings 6 4

Prior recommendations implemented 6 4

SPECIAL ASSISTANT AUDITORS

Deloitte & Touche were our special assistant auditors on the audit of the General Office, and coordinated the performance of various procedures at the 29 correctional facilities administered by the Department.