

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
PLAINFIELD CORRECTIONAL FACILITY
STATE OF INDIANA
March 1, 2008 to April 30, 2012



FILED
08/08/2012

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AGENCY OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|------------------|----------------------|
| Commissioner, Indiana Department of Correction | J. David Donahue | 01-10-05 to 07-31-08 |
| | Edwin G. Buss | 08-01-08 to 01-16-11 |
| | Bruce Lemmon | 01-17-11 to 01-13-13 |
| Superintendent | Wendy Knight | 06-19-06 to 02-19-11 |
| | Brian Smith | 02-20-11 to 06-30-13 |



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PLAINFIELD CORRECTIONAL FACILITY

We have reviewed the activities related to the receipts, disbursements, and assets of the Plainfield Correctional Facility for the period of March 1, 2008 to April 30, 2012. The Plainfield Correctional Facility's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Plainfield Correctional Facility are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comments.

The Plainfield Correctional Facility's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Plainfield Correctional Facility's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Plainfield Correctional Facility's management, Indiana Department of Correction, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

May 30, 2012

PLAINFIELD CORRECTIONAL FACILITY
REVIEW COMMENTS
APRIL 30, 2012

TRUST FUND

Negative Account

As stated in our prior report, B33616, the Plainfield Correctional Facility's Trust Fund contained one offender's account with a negative balance. On June 28, 2007, \$147.86 was received by an employee at the Facility on behalf of an offender. A receipt was written and given to the offender. The money and receipt were never received in the business office and therefore not deposited into the Trust Fund bank account. The offender was subsequently released and a check was written causing the offender's account to go into a negative balance. A responsible employee was not identified. Bond coverage was not in effect to cover the loss at the time. During the current review period, the Facility reimbursed the Trust Fund the \$147.86 from the Facility's operating funds. This is an improper use of public funds.

Per Indiana Code 4-24-6-9, such losses must be covered by a general blanket performance bond or crime insurance policy.

Outstanding Checks

As stated in our prior report, B33616, the Plainfield Correctional Facility did not remit Trust Fund checks which have been outstanding for at least one year to the Office of the Attorney General. In March 2011, the Facility voided 110 outstanding checks totaling \$2,692.37 that were dated from January 2005 to August 2008. According to the Facility, the voided checks were too old to research and the \$2,692.37 was transferred to the Facility's Recreation Fund.

Indiana Code 32-34-1-20, 32-34-1-26, and 32-34-1-27 provide that Trust Fund checks which have been issued and are outstanding for one year after they were written are presumed to be abandoned and are to be remitted to the Attorney General's Office as unclaimed property.

Accounting Records

As stated in our prior report, B33616, the Plainfield Correctional Facility's Trust Fund control ledger was \$4,953.75 greater than the reconciled bank account, resulting in a shortage in the bank account as of January 31, 2008. The shortage amount continued to increase during our current review period. In March 2011, the Facility forced the control ledger to reconcile with the bank account by posting adjusting entries totaling \$6,952.33 to reduce the balance of the control ledger. The Facility was unable to present adequate supporting documentation for \$6,819.48 of the \$6,952.33. Therefore, the validity of these adjusting entries could not be established.

Each agency, department, quasi, institution or office has the responsibility to maintain an effective and accurate accounting system for necessary subsidiary and supplementary records and to maintain, and make available for audit, documentation supporting the validity and accountability of monies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

Supporting documentation to support monies received must be maintained and made available for audit to provide supporting information for the validity and accountability of monies received. Documents must be filed in such a manner as to be readily accessible, or otherwise reasonably attainable, upon request during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.3.2)

PLAINFIELD CORRECTIONAL FACILITY
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

Individual Records

As stated in our prior report, B33616, the Plainfield Correctional Facility's Trust Fund general ledger was \$3,595.62 greater than the subsidiary ledgers as of February 29, 2008. As of March 24, 2011, the Facility's Trust Fund subsidiary ledgers were \$5,916.38 less than the general ledger. On March 25, 2011, the Facility forced the general and subsidiary ledgers to reconcile by posting a \$5,916.38 credit to the gateage subsidiary ledger. The Facility was unable to present adequate supporting documentation to establish the validity of this adjustment.

Each agency, department, quasi, institution or office has the responsibility to maintain an effective and accurate accounting system for necessary subsidiary and supplementary records and to maintain, and make available for audit, documentation supporting the validity and accountability of monies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

Restrictive Endorsements

As stated in our prior report, B33616, the Plainfield Correctional Facility did not restrictively endorse Trust Fund checks immediately upon receipt. The checks were not restrictively endorsed until the following business day.

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.3.2)

RECREATION FUND

Improper Purchases

As stated in our prior report, B33616, the Plainfield Correctional Facility made purchases from the Recreation Fund which were not proper for the Fund. The Facility purchased two transport vans for the Reception Diagnostic Center in the amount of \$21,739.11. The facility states that it received approval from the Department of Correction Chief Financial Officer and State Budget Agency. However, these purchases were not in compliance with IC 4-24-6-6.

Indiana Code 4-24-6-6 states:

"These funds shall be used, at the discretion of the superintendent or warden subject to the approval of the chief administrative officer of the department, division or state agency having administrative control and supervision over the institution, for the direct benefit of persons who are inmates or patients in such institutions, and shall not be used for any purposes which are provided by state appropriations. . . ."

Controls over Revenue Collections

The Plainfield Correctional Facility did not have sufficient segregation of duties over Recreation Fund revenue collections. The same employee opened the mail containing checks and posted the checks received to the cash book without the direct observation of another employee, posted to the general ledger, and deposited the checks.

PLAINFIELD CORRECTIONAL FACILITY
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are part of the internal control system. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 12.3.1)

COMMUTING IN A STATE OWNED VEHICLE

The Plainfield Correctional Facility (PCF) did not follow required reporting procedures relating to the personal usage of a state owned vehicle by an employee. The employee using a state owned vehicle did not submit the required report, State Form 49632, Employee Statement of Employer Provided Vehicle Use, to the payroll division bi-weekly for one way commuting trips. PCF allowed the employee to pick up the state owned vehicle at another state facility in the morning, drive the vehicle to PCF, and return the vehicle to the other state facility in the evening. This facility was located between the employee's home and PCF. PCF was unable to present documentation evidencing the business purpose of the employee's travel between the two facilities in the vehicle.

Per the Indiana Vehicle Fleet Management Policy, the Internal Revenue Service requires payroll tax withholding and compensation reporting (W-2) for employees using state owned vehicles for non-business or commuting purposes. These employees must complete and certify Statements of Employer Provided Vehicle use each pay period. Employees are required to maintain records and report on the number of one way (or round trip) commutes between the employee's home and place of work for each payroll period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 10.4.1)

Each agency, department, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

CAPITAL ASSETS

The Plainfield Correctional Facility does not properly report its assets within the State's ENCOMPASS financial system. The Facility used its Recreation Fund to purchase five security stations and a keyboard. These assets were not included in the asset module of ENCOMPASS.

Agency personnel are responsible for accountability for all assets under their control, including capital assets. Adequate asset management staff should be assigned to recording and maintaining, on the ENCOMPASS financial system, all capital assets with a cost greater than \$500. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 8.3)

Recreation Fund equipment purchases should be itemized and added to the Institution's ENCOMPASS asset management system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 12.4.2.2)

PLAINFIELD CORRECTIONAL FACILITY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2012, with Brian Smith, Superintendent; Tina Little, Regional Finance Director; and Rick Arthur, Business Administrator. A copy of the review comments was sent to Wendy Knight, former Superintendent. The official response has been made part of this report and may be found on pages 8 through 10.



STATE OF INDIANA

Department of Correction

PLAINFIELD CORRECTIONAL FACILITY

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Mitchell E. Daniels, Jr.
Governor

Bruce Lemmon
Commissioner

Brian Smith
Superintendent

Date: July 12, 2012

Re: RESPONSES TO AUDIT FINDINGS

TRUST FUND

Negative Account

We concur. A general performance blanket bond has been obtained in order to comply with Indiana Code 4-24-6-9.

Outstanding Checks

We concur. As of November 2011, the Plainfield Correctional Facility is in compliance with Indiana Code 32-34-1-20, 32-34-1-26 and 32-34-1-27

Accounting Records

We concur. Inmate Trust Fund Bank Reconciliations did not balance going back to 2002 and many of the records were unable to be located or were inadequate. A management decision was made in March 2011 to clear any items that documentation existed for and then create an entry to bring the ledger in balance with the bank balance. Internal Controls have been put in place and since March 2011 there have been no outstanding items, other than un-cashed checks, on each month's Reconciliation of the Inmate Trust Funds.

Individual Records

We concur. On February 29, 2008 the difference between the Facility's Trust Fund subsidiary ledgers and the general ledger was \$3,595.62. However, due to on-going issues, both prior to February 29, 2008 and subsequently, incorrect entries were being made in both the subsidiary ledger and general ledger. Due to inadequate or missing records, a management decision was



Mitchell E. Daniels, Jr.
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Commissioner

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Brian Smith
Superintendent

made in March 2011 to clear the difference and create an entry in the gateage subsidiary ledger. Internal controls have been put in place to insure the Facility's subsidiary ledgers balance to the general ledger at the end of each business day. Any differences found are researched and cleared before close of business on the same business day. Since March 2011, the Facility's subsidiary ledger has balanced to the general ledger at the close of business every day.

Restrictive Endorsements

We Concur. Internal controls have been put in place to insure all checks received are restrictively endorsed the same business day as received.

RECREATION FUND

Improper Purchases

The Indiana Department of Correction Chief Financial Officer, in conjunction with the State Budget Agency, authorized the use of facility recreation funds to purchase the transport vans during fiscal year 2011. The IDOC has met all requirements of IC 4-24-6-6 as the superintendent and CFO approved these purchases and the State appropriated funds to the facility were insufficient to fund the procurement of the transport vehicles. Additionally, these vans are used for transportation to/from offender work sites, transportation of offenders between IDOC facilities, and offender transportation off premises for medical needs. All of these reasons are for the direct benefit of inmates and as such meet all requirements for IC 4-24-6-6.

Controls of Revenue Collections

We concur. Internal Controls have been put in place by segregating the duties of the Recreation Fund among 5 different business office employees.



Mitchell E. Daniels, Jr.
Governor

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Commuting in a State Owned Vehicle

We concur. Employees using a state owned car for personal use for one way commutes are now required to complete State Form 49632 and submit to Payroll, keeping in compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 10.4.1.

Capital Assets

We concur. Internal controls have been put in place to insure that all Recreation Fund purchases that qualify as fixed assets are reported and recorded in the asset module of Encompass, keeping in compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 12.4.2.2

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith
Superintendent