

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

REVIEW REPORT
OF
PUTNAMVILLE CORRECTIONAL FACILITY
STATE OF INDIANA
July 1, 2006 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	Al Parke	06-14-99 to 05-27-07
	Michael Osburn	05-28-07 to 11-30-08
	Bruce Lemmon	12-01-08 to 01-15-11
	Brian Smith (Interim)	01-16-11 to 01-30-11
	Stanley Knight	01-31-11 to 06-30-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PUTNAMVILLE CORRECTIONAL FACILITY

We have reviewed the activities related to the receipts, disbursements, and assets of the Putnamville Correctional Facility for the period of July 1, 2006 to April 30, 2012. The Putnamville 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 Putnamville 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 Putnamville 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 Putnamville Correctional Facility's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Putnamville 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

PUTNAMVILLE CORRECTIONAL FACILITY
REVIEW COMMENTS
APRIL 30, 2012

LATE PAYMENT PENALTY

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Putnamville Correctional Facility as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$875.13 and for the current fiscal year through April 30 penalties were \$974.69. These penalties are an unnecessary use of public funds.

Indiana Code 5-17-5 requires a state agency to ". . . pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency . . . fails to make timely payment."

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.7.4)

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

UNCLAIMED PROPERTY

As stated in our prior Report B28268, the Offender Trust Fund maintained at the Putnamville Correctional Facility had several accounts that were inactive for more than one year. The balances in these inactive accounts were not paid or delivered to the Unclaimed Property Division in the Office of the Attorney General.

Indiana Code 32-9-1.5-20 provides that property becomes abandoned if held by the State or other government, governmental subdivision or agency, or public corporation or other public authority one (1) year after the property becomes distributable.

Indiana Codes 32-9-1.5-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

RECREATION FUND

Improper Purchases

The Putnamville Correctional Facility made purchases from the Recreation Fund which were not proper for the Fund. The Facility purchased two transport vans for the Facility. 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. . . ."

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

Internal Controls over Collections

The Putnamville Correctional Facility does not have adequate controls in place over Recreation Fund revenue collections. Mail received containing checks are opened by one employee without the direct observation of another employee and checks are not restrictively endorsed immediately upon receipt.

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)

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)

CAPITAL ASSETS

The Putnamville Correctional Facility does not properly report its assets within the State's ENCOMPASS financial system. The Facility used its Recreation Fund to purchase four pool tables and a wall cabinet. 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)

CAFETERIA COLLECTIONS

The Putnamville Correctional Facility did not have adequate segregation of duties over cafeteria collections. Reusable tokens are dispensed from a vending machine for meals sold to employees and visitors. The tokens are redeemed at the Facility's cafeteria and returned to the business office. One employee from the business office replenishes the vending machine with the tokens, removes the money from the vending machine and takes the money to the business office to count, resulting in a lack of accountability over these cash collections.

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)

PUTNAMVILLE CORRECTIONAL FACILITY
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2012, with Stanley Knight, Superintendent; Carmen Babb, Regional Finance Director; and Shirley Hughes, Accountant 1. A copy of the review comments was sent to Al Parke, Michael Osburn, and Bruce Lemmon, former Superintendents, and Brian Smith, former Interim Superintendent. The Official Response has been made part of this report and may be found on pages 7 and 8.



Mitchell E. Daniels, Jr.
Governor

Bruce C. Lemmon, CCE
Commissioner

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Stanley Knight
Superintendent

PUTNAMVILLE CORRECTIONAL FACILITY
REVIEW COMMENTS
July 27, 2012

LATE PAYMENT PENALTY

The Indiana Department of Correction agrees with and is fully aware of the \$974.69 in late fee penalties incurred for the Putnamville Correctional Facility for the time period of July 1, 2011 through April 30, 2012. As noted in the audit finding, during an entire fiscal year, FY11, \$875.13 of late fee penalties was incurred and paid to vendors. As a percentage of total spend, Putnamville's FY12 late fee penalties are 0.0034% (ISF's annual spend for FY12 was \$29m). IDOC agrees that these penalties are an unnecessary use of public funds and will continue working diligently to reduce this spend through greater accountability and vigilance over State taxpayer dollars spent.

UNCLAIMED PROPERTY

The Putnamville Correctional Facility has ensured compliance with IC 32-34-1-20(c)(7), which states " Inmate Trust Fund checks which have been outstanding for a period of one (1) year or more shall be reported to the Office of the Attorney General, Unclaimed Property Section annually. The Business Administrator or designated staff shall review the Inmate Trust Fund annually to determine whether any outstanding checks exist. The facility shall record any checks that have been outstanding one (1) or more years as of June 30 of the previous year. The facility shall report any checks that have been outstanding one (1) year or more using the electronic forms available from the Internet at www.IndianaUnclaimed.com."

Compliance in regard to inactive accounts has begun with identifying any that have transferred and those checks have been sent to the appropriate facility. As many as possible of the remaining accounts will be sent a JPay card, with the balance being sent a letter to their last known address so those individuals have an opportunity to claim their property before it is reported to the Attorney General's Office on November 1, 2012.

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 FY11. 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.

Internal Controls over Collections

The Putnamville Correctional Facility will ensure there are adequate controls in place over Recreation Fund revenue collections. Mail is now received in the presence of two employees and checks are restrictively endorsed immediately.

CAPITAL ASSETS

The Putnamville Correctional Facility will ensure that all assets are reported into the State's ENCOMPASS financial system. All purchases are to go through the warehouse; however, the pool tables and the wall cabinet were delivered directly into the facility for assembly and the Warehouse was not notified so they could enter those assets into ENCOMPASS. Business Office staff will ensure that the Warehouse staff is notified of every Recreation Fund equipment purchase, to ensure that all assets are reported into the State's ENCOMPASS financial system.

CAFETERIA COLLECTIONS

Putnamville Correctional Facility has met with Aramark and has already implemented a schedule to ensure segregation of duties over cafeteria collections. A Putnamville Correctional Facility employee and an Aramark employee meet Monday through Friday mornings and again late Friday afternoon and; together, they replenish the token machines, remove the money from the vending machines and count the money. This action will result in segregation of duties and more accountability over cafeteria cash collections.