



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

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– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Saginaw Correctional Facility

Department of Corrections

Report Number:
471-0234-09

Released:
December 2009

The mission of the Saginaw Correctional Facility is to provide a secure, safe, and humane prison for staff to work in and for prisoners to serve their sentences in. The Facility has the capacity to house approximately 1,480 male prisoners with level I, II, and IV security classifications. The Facility, opened in 1993, is located in Freeland, Michigan.

Audit Objective:

To assess the effectiveness of the Facility's efforts to comply with selected policies and procedures related to safety and security.

Audit Conclusion:

We concluded that the Facility's efforts to comply with selected policies and procedures related to safety and security were moderately effective. We noted one material condition (Finding 1) and five reportable conditions (Findings 2 through 6).

Material Condition:

The Facility did not maintain proper control over critical and dangerous tools (Finding 1).

Reportable Conditions:

The Facility did not properly complete and maintain all gate manifests to help control the movement of items into and out of the Facility (Finding 2).

The Facility did not ensure that its officers performed and documented all required

prisoner shakedowns and cell searches (Finding 3).

The Facility did not ensure that all officers whose assignment required the use of a firearm were cleared through the Law Enforcement Information Network and were annually requalified (Finding 4).

The Facility did not complete required inspections of the arsenal's inventory or perform pat-down searches of all individuals exiting the arsenal (Finding 5).

The Facility did not conduct and document all required informal prisoner counts (Finding 6).

Noteworthy Accomplishments:

Beginning in 2006 through April 2009, prisoners at the Facility, with the assistance of Facility staff, built 16 rustic cabins for the Department of Natural Resources to place in State parks.

Lifers, a group of prisoners facing life terms or long sentences, crochet or knit hats, scarves, mittens, shawls, afghans,

and bookmarks for various charities and schools. Since October 1, 2007, the Facility reported that the Lifers donated over 1,000 products to various organizations.

The Facility's horticulture program, through a federal grant, provided flowers and native plants, such as prairie cord grass, swamp milkweed, and blue vervain, to the Shiawassee National Wildlife Refuge. During calendar years 2008 and 2009, the Facility provided approximately 1,600 flats to the Refuge that were used to restore prairies and wetlands.

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Audit Objective:

To assess the effectiveness of selected Facility business office operations.

Audit Conclusion:

We concluded that selected Facility business office operations were moderately effective. We noted two reportable conditions (Findings 7 and 8).

Reportable Conditions:

The Facility did not implement sufficient controls to ensure the accuracy of the Prisoner Benefit Fund's financial statements (Finding 7).

The Department of Corrections (DOC) did not ensure that the Facility maintained effective internal control to ensure the accuracy of prisoner store inventory records and financial statements (Finding 8).

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Agency Response:

Our audit report includes 8 findings and 8 corresponding recommendations. DOC's preliminary response indicates that the Facility or DOC agrees with the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

December 17, 2009

Ms. Patricia L. Caruso, Director
Department of Corrections
Grandview Plaza Building
Lansing, Michigan

Dear Ms. Caruso,

This is our report on the performance audit of the Saginaw Correctional Facility, Department of Corrections.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; two exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Glossary of Acronyms and Terms

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Description of Agency

The Saginaw Correctional Facility, opened in 1993, is located in Freeland, Michigan. The Facility sits on 142 acres and has the capacity to house approximately 1,480 male prisoners with security classifications of levels I*, II*, and IV*. The perimeter of the prison is enclosed by a double, 12-foot fence, topped with razor-ribbon wire. The wire is also installed in the open space between the fences to enhance the barrier. An electronic detection system has been placed on both the inner and outer fences. Security cameras, strategically placed within the prison and around the perimeter, allow 24-hour remote observation and videotaping of prisoner activities. The Facility has two gun towers and is patrolled by a perimeter vehicle with armed personnel 24 hours a day.

The mission* of the Facility is to provide a secure, safe, and humane prison for staff to work in and for prisoners to serve their sentences in.

The Facility's academic programming includes special education, general education development (GED) completion, adult basic education and vocational education, as well as life-role competency programs. The Facility offers religious and library (law and general) services provided by institution staff and community volunteers. Routine medical care is provided on site. Major emergencies are treated at a local hospital or in Jackson, Michigan.

Beginning in February 2009, the processing of all mailed receipts of inmate funds for the State prison system became the responsibility of the Central Receipting Office (CRO) established at the Facility. Through May 2009, CRO had processed an average of 39,034 money orders per month (see Exhibit 1). Also, funds can be forwarded electronically to a prisoner's account via a private contractor whose software interfaces with the prisoner Trust Accounting and Payroll System* (TAPS). In an effort to improve efficiencies in processing various tasks, the Department of Corrections transferred some of the business and accounting functions that the Facility previously completed to other prisons.

For fiscal year 2008-09, the Facility's operating appropriations totaled \$31.0 million. The average cost to maintain a bed at the Facility for fiscal year 2007-08 was \$20,751.80. As of June 30, 2009, the Facility had 363 employees and was housing 1,446 prisoners.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of Saginaw Correctional Facility, Department of Corrections (DOC), had the following objectives:

1. To assess the effectiveness* of the Facility's efforts to comply with selected policies and procedures related to safety and security.

2. To assess the effectiveness of selected Facility business office operations.

Audit Scope

Our audit scope was to examine the program and other records of the Saginaw Correctional Facility. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit procedures, conducted from April through July 2009, generally covered the period October 1, 2007 through June 30, 2009.

Supplemental information was provided by DOC and is presented in Exhibit 1. Our audit was not directed toward expressing a conclusion on this information and, accordingly, we express no conclusion on it.

Audit Methodology

To establish our audit objectives and gain an understanding of the Facility's activities, we conducted a preliminary review of the Facility's operations. This included discussions with various Facility staff regarding their functions and responsibilities; observation; and examination of program records, policy directives, and operating procedures. In addition, we reviewed self-audits*, monthly reports to the warden,

* See glossary at end of report for definition.

community liaison committee meeting minutes, and the standards compliance reaccreditation audit report completed by the Commission on Accreditation for Corrections.

To assess the effectiveness of the Facility's effort to comply with selected policies and procedures related to safety and security, we examined records related to tool control; gate manifests*; prisoner shakedowns and cell searches; employee firearm qualifications; arsenal operations; prisoner counts; and employee searches. Also, we inventoried the arsenal's weapons, critical tools*, and dangerous tools* on a test basis.

To assess the effectiveness of the Facility's business office operations, we analyzed the accuracy of the prisoner store's and prisoner benefit fund's fiscal year 2008-09 financial statements through April 2009; reviewed the use of procurement cards by Facility staff; reviewed the Facility's effort to inventory the prisoner store; and reviewed the reconciliation of Trust Accounting and Payroll System (TAPS) to the Michigan Administrative Information Network* (MAIN). We reviewed the Central Receiving Office's process to account for prisoner receipts forwarded via the mail and electronically.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through our preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis. To the extent practical, we add balance to our audit reports by presenting noteworthy accomplishments for exemplary achievements identified during our audit.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 8 findings and 8 corresponding recommendations. DOC's preliminary response indicates that the Facility or DOC agrees with the recommendations.

* See glossary at end of report for definition.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require DOC to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Saginaw Correctional Facility, Department of Corrections (47-234-00), in November 2000. Within the scope of this audit, we followed up all 4 prior audit recommendations. The Facility complied with 3 of the prior audit recommendations and 1 of the prior audit recommendations was repeated for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

SAFETY AND SECURITY

COMMENT

Background: The Saginaw Correctional Facility operates under policy directives and operating procedures established by the Department of Corrections (DOC), in addition to operating procedures developed by the Facility. These policy directives and operating procedures were designed to have a positive impact on the safety and security of the Facility as well as to help ensure that prisoners receive proper care and services. The policies and procedures address many aspects of the Facility's operations, including key, tool, and firearm security; prisoner, employee, visitor, and housing unit searches; prisoner counts; medication controls; fire safety; preventive maintenance; and disaster planning. Although compliance with these policies and procedures contributes to a safe and secure facility, the nature of the prison population and environment is unpredictable and inherently dangerous. Therefore, compliance with the policies and procedures will not entirely eliminate the safety and security risks.

Audit Objective: To assess the effectiveness of the Facility's efforts to comply with selected policies and procedures related to safety and security.

Audit Conclusion: We concluded that the Facility's efforts to comply with selected policies and procedures related to safety and security were moderately effective. We noted one material condition*. The Facility did not maintain proper control over critical and dangerous tools.

We also noted five reportable conditions* related to gate manifests, prisoner shakedowns and cell searches, firearm clearances and qualifications, arsenal operations, and informal counts (Findings 2 through 6).

Noteworthy Accomplishments:

1. Beginning in 2006 through April 2009, prisoners at the Facility, with the assistance of Facility staff, built 16 rustic cabins for the Department of Natural Resources to place in State parks (see Exhibit 2). To complete this project, participating prisoners attended courses to prepare for the cabins' construction and spent about

* See glossary at end of report for definition.

six months learning woodworking, mathematics, and tool identification. Four to eight inmates worked on a cabin crew at any one time, and this project provided prisoners with a trade for their postincarceration lives. The Facility milled ash trees harvested from State land to use as interior paneling for the cabins. This unique recycling effort not only minimized costs, but it also helped stem Michigan's emerald ash borer infestation.

2. Lifers, a group of prisoners facing life terms or long sentences, crochet or knit hats, scarves, mittens, shawls, afghans, and bookmarks for various charities and schools. This volunteer program is aimed at teaching prisoners what it is like to give back and to do well in their community. The group has had up to 30 members. The Facility purchases needles for the Lifers with donated funds and various organizations donate the yarn. Since October 1, 2007, the Facility reported that the Lifers donated over 1,000 products, including baby blankets to the American Red Cross Baby Love Program, caps for cancer patients at St. Mary's Hospital in Saginaw, hats and mittens for elementary students in the Saginaw Public School District, and bookmarks for various mid-Michigan libraries.
3. The Facility's horticulture program, through a federal grant, provided flowers and native plants, such as prairie cord grass, swamp milkweed, and blue vervain, to the Shiawassee National Wildlife Refuge. During calendar years 2008 and 2009, the Facility provided approximately 1,600 flats to the Refuge. Prisoners sorted, stored, and germinated the seeds and cultivated the plants for the Refuge. The plants are being used to restore prairies and wetlands at the Refuge.

FINDING

1. Tool Control

The Facility did not maintain proper control over critical and dangerous tools. Failure to maintain control over tools could result in tools being unaccounted for or lost or misplaced tools not being detected and recovered in a timely manner, thereby increasing the potential for misuse by prisoners.

The Facility accounted for approximately 3,400 tools in 19 tool storage areas on 71 tool inventory listings. We reviewed 11 tool inventory listings for July 2009,

identifying 112 critical and 210 dangerous tools that the Facility maintained in 5 tool storage areas. We also reviewed monthly tool inspections for the 19 tool storage areas for May and June 2009 and the 2008 annual inventory audit. Our review of tool records and tool storage areas disclosed:

- a. The Facility did not maintain accurate, up-to-date tool inventory listings.
 - (1) The Facility could not locate four dangerous tools (clipper blades) that were listed on tool inventory listings.
 - (2) Three (27.3%) of the 11 tool inventory listings did not agree with the Facility's master inventory listing.
 - (3) Six critical tools (utility knife blades) and 195 dangerous tools (194 hobby craft knife blades and 1 needle threader) were not identified on tool inventory listings. Facility staff stated that they did not keep track of the number of blades stored in one tool storage area.

DOC policy directive 04.04.120 requires that the tool control officer maintain an accurate and up-to-date tool inventory list for each tool storage area.

- b. The Facility did not ensure that 31 (9.6%) of the 322 tools were properly color coded as critical or dangerous, including 5 (4.5%) of the 112 critical tools and 20 (9.5%) of the 210 dangerous tools. Also, the Facility incorrectly color coded 6 (5.4%) of the 112 critical tools with the dangerous tools' color designation.

Policy directive 04.04.120 states that critical tools are to be color coded red and dangerous tools are to be color coded blue prior to being placed in service.

- c. The Facility did not document that it had completed 13 (34.2%) of the 38 required monthly tool storage area inspections for May and June 2009.

Policy directive 04.04.120 requires work area supervisors to conduct monthly inspections of all tool storage areas and submit the inspection results to the tool control officer.

- d. The Facility did not document that it had completed 250 (24.8%) of the 1,007 required shift tool inspections for the 11 tool inventory listings for the period May 3, 2009 through June 27, 2009. During this period, the Facility did not document that it had completed any shift tool inspections for 2 (18.2%) of the 11 tool inventory listings.

Policy directive 04.04.120 requires all total storage area to be inspected at the end of each work shift and that the inspection be documented.

- e. The Facility did not document that it had inventoried 18 tool inventory listings in the Facility's 2008 annual tool audit. Also, the Facility's 2008 annual tool audit was completed by someone other than the tool control officer.

Policy directive 04.04.120 requires the tool control officer to conduct an annual tool audit to verify the accuracy of the inventory record.

RECOMMENDATION

We recommend that the Facility maintain proper control over critical and dangerous tools.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that the tool control officer has reinforced tool control requirements with work area supervisors and that no tools will be added to any inventory except through the inspector. The Facility informed us that the tool control officer will ensure that all work area supervisors submit monthly tool inspection reports and assurances regarding the daily inspections for their area; the tool control officer has been instructed to report instances of noncompliance to the deputy warden for appropriate action; and during the upcoming annual tool audit, the tool control officer will ensure that all inventory listings are accurate and up-to-date and that all tools are properly color coded.

FINDING

2. Gate Manifests

The Facility did not properly complete and maintain all gate manifests to help control the movement of items into and out of the Facility. Failure to properly complete and maintain gate manifests could result in dangerous items being left inside the prison, thereby endangering staff and prisoners.

Gate manifests serve as the tracking mechanism for items (tools, supplies, medications, etc.) entering and leaving the prison and are used to control and prevent the introduction of contraband and the theft of State property. DOC operating procedure 04.04.100 requires that all gate manifests be reconciled daily; that the designated individual ensure that all sections of the gate manifests have been completed with dates, times, and signatures; that the appropriate copies of the gate manifest have been returned; and that tracking numbers match the numbers listed in the gate manifest log.

For the period January 1, 2009 through March 31, 2009, we reviewed 49 sallyport* gate manifests and 260 front desk gate manifests and noted that 257 (83.2%) of the 309 manifests were not properly documented or had omissions of important information, with many manifests having multiple omissions or inconsistencies. For example, our review disclosed:

- a. Gate officers did not always properly complete gate manifests. For example, 230 gate manifests did not include an approval verification; 12 gate manifests did not include a description of the items entering the Facility; 11 gate manifests did not have a record of the point of entry; 6 gate manifests were not signed by the gate officer; 4 gate manifests did not contain an authorizing signature; 3 gate manifests did not include the item's destination; and 2 gate manifests provided no indication whether the items brought into the Facility subsequently left the Facility.
- b. Gate officers did not always retain or return the appropriate gate manifest copy. We noted that gate officers improperly retained 22 (7.1%) gate manifest copies that should have stayed with the items remaining inside the Facility,

* See glossary at end of report for definition.

and they did not retain 25 (8.1%) of the gate manifest copies designated for reconciliation. In addition, gate officers did not separate and properly distribute 50 (16.2%) gate manifest documents to ensure that the Facility could account for all items being transferred.

- c. Gate officers did not properly reconcile all gate manifests. We noted that 26 gate manifests were not properly numbered, one gate manifest was missing, and one gate manifest was not properly recorded on the gate manifest log.

RECOMMENDATION

We recommend that the Facility properly complete and maintain all gate manifests to help control the movement of items into and out of the Facility.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that the gate officers have been instructed to check the box indicating their verification of the approver's signature even though, in most cases, approvers sign the manifests in front of the gate officers. The Facility informed us that the second shift commander is now properly reconciling all manifests and reviewing them for completeness before forwarding them to the inspector for retention.

FINDING

3. Prisoner Shakedowns and Cell Searches

The Facility did not ensure that its officers performed and documented all required prisoner shakedowns and cell searches. As a result, the Facility was less likely to detect and confiscate contraband* that could compromise the safety and security of staff and prisoners.

DOC policy directive 04.04.110 requires each non-housing unit corrections officer who has direct prisoner contact to conduct pat-down searches* or clothed-body searches* of at least five randomly selected prisoners per shift. The policy directive also requires that all housing unit officers shall conduct searches of at

* See glossary at end of report for definition.

least three randomly selected cells, rooms, or living areas per shift, except the night shift. Facility operating procedure 04.04.110A requires all corrections officers (housing and custody) who have direct prisoner contact shall conduct pat-down or clothed-body searches of at least five randomly selected prisoners per shift.

We reviewed documentation of prisoner shakedowns and cell searches for the period April 13, 2009 through April 17, 2009 and May 17, 2009 through May 23, 2009. Our review disclosed:

- a. Non-housing and housing unit corrections officers did not document whether they performed 185 (11.6%) of the 1,595 required prisoner shakedowns. The Facility lacked documentation supporting that all required prisoner shakedowns were completed for 35 (20.8%) of the 168 shifts reviewed.
- b. Housing unit officers did not document whether they performed 35 (7.8%) of 450 required cell searches. The Facility lacked documentation supporting that all required prisoner cell searches were completed for 11 (19.0%) of 58 shifts reviewed. Documentation provides assurance that all required prisoner shakedowns and cell searches were performed.

We noted similar conditions in our prior audit. In response to that audit, the Facility stated that first-line supervisors would monitor search documentation for each officer on a daily basis to ensure the minimum number of searches are performed and documented. However, our review indicated that the Facility did not always monitor search documentation to ensure that staff completed the required number of searches.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE FACILITY ENSURE THAT ITS OFFICERS PERFORM AND DOCUMENT ALL REQUIRED PRISONER SHAKEDOWNS AND CELL SEARCHES.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that front-line supervisors are monitoring search documentation for each officer on a daily basis to ensure that all required searches are performed and documented.

FINDING

4. Firearm Clearances and Qualifications

The Facility did not ensure that all officers whose assignment required the use of a firearm were cleared through the Law Enforcement Information Network (LEIN) and were annually requalified. Using LEIN to conduct periodic reviews of each officer's criminal history record can help the Facility ensure that it does not assign ineligible officers to assignments requiring the use of a firearm. Also, annual firearm requalifications ensure that officers are properly qualified in the use of the firearms issued, thereby helping to ensure the safety of staff, prisoners, and the general public and limiting DOC's potential liability.

DOC policy directive 03.03.100 prohibits employees from being issued or allowed to possess a firearm if they have been convicted of a misdemeanor crime of domestic violence or a felony. The policy directive also requires officers to be requalified annually in the use of handguns, shotguns, or rifles before being issued these firearms or scheduled for assignments requiring the use of any of these firearms.

Our review of firearm LEIN clearances, various qualification documents, and staff shift assignments for the period May 17, 2009 through May 30, 2009 disclosed:

- a. The Facility had not conducted LEIN checks within the prior 12 months for 5 (10.4%) of the 48 officers who had been issued firearms as part of their assignment.
- b. Facility shift commanders assigned officers whose firearm qualifications had expired to 17 assignments that required the use a firearm. These assignments were made on 12 (28.6%) of the 42 shifts that we reviewed. Ten (58.8%) of the 17 assignments were sergeants who were not requalified to use a handgun.

RECOMMENDATION

We recommend that the Facility ensure that all officers whose assignment requires the use of a firearm are cleared through LEIN and are annually requalified.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that all officers who require LEIN clearance have been cleared and have been requalified. The Facility informed us that it has reinforced firearm clearance and requalification requirements with shift commanders and officers who carry firearms as part of their assignment.

FINDING

5. Arsenal Operations

The Facility did not complete required inspections of the arsenal's inventory or perform pat-down searches of all individuals exiting the arsenal. As a result, the Facility could not ensure that weapons and security equipment were not missing or damaged, thereby potentially endangering staff and prisoners.

Facility operating procedure 04.04.100I requires the arsenal sergeant or shift commander to inspect firearms, chemical agents, ammunition, and other related security equipment at least once per shift and to document each inspection in the arsenal logbook. The operating procedure also requires all persons having entered the arsenal, regardless of rank, to submit to a pat-down search when exiting the arsenal. DOC policy directive 04.04.100 requires that the Facility, at least once each shift, inspect stored firearms, chemical agents, ammunition, and related security equipment to ensure that none are missing or obviously damaged.

The arsenal is a highly restricted area accessible only through the bubble*. As a result, it was not possible to test arsenal operations without being observed. Therefore, our review of the Facility's controls over the arsenal's inventory and compliance with the above procedures was limited to personally entering the arsenal, observing its operation, and reviewing the arsenal's logbook for the period May 17, 2009 through June 27, 2009. Our review disclosed:

- a. The Facility did not document 63 (50.0%) of 126 shift inspections in the arsenal logbook. Also, 24 (38.1%) of the 63 shift inspections were not documented as completed on arsenal entry inventory sheets or the arsenal logbook.

* See glossary at end of report for definition.

- b. The Facility did not perform pat-down searches of our auditors on 5 (83.3%) of 6 occasions as they exited the arsenal. After the first three instances without a pat-down search, we discussed this noncompliance with the facility warden. During the next three instances, we were subjected to a pat-down search only once.

RECOMMENDATION

We recommend that the Facility complete required inspections of the arsenal's inventory and perform pat-down searches of all individuals exiting the arsenal.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that new processes have been put in place to ensure that shift commanders on all shifts perform the required inspections. The Facility informed us that all staff assigned as bubble officers have been made aware of the requirement to pat-down all individuals exiting the arsenal.

FINDING

6. Informal Counts

The Facility did not conduct and document all required informal prisoner counts. Prisoner counts and corresponding documentation helps ensure that prisoners are accounted for on a regular basis throughout the day and provides assurance that security measures are being performed in accordance with DOC policy directives and Facility operating procedures.

DOC policy directive 04.04.101 requires facility wardens to develop a security check system to ensure that staff conduct a formal or an informal count at least hourly. Facility operating procedure 04.04.101 requires that formal or informal prisoner counts be conducted at least hourly and logged in the unit logbook, documenting the time and the total number of prisoners in the unit.

Our review of records for the periods April 27, 2009 through May 1, 2009 and May 25, 2009 through May 29, 2009 disclosed that the Facility did not conduct and document 240 (84.2%) of the 285 required informal prisoner counts. Facility staff

stated that officers complete informal counts 5 times per day only at the level I housing unit.

RECOMMENDATION

We recommend that the Facility conduct and document all required informal prisoner counts.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation as it relates to documentation of informal prisoner counts. The Facility indicated that it believes that informal counts were conducted as part of security rounds in levels II and IV and were recorded in the logbooks as rounds. The Facility informed us that it will clarify its operating procedure to reflect this and that DOC is also reviewing whether informal counts are necessary given DOC's enhanced security systems for monitoring prisoner movement.

BUSINESS OFFICE OPERATIONS

COMMENT

Background: In November 2008, DOC significantly altered the operations of the Facility's business office by implementing a centralized receipting process of prisoner funds for the State's entire prisoner population. Facility staff once available to complete the functions of the business office were assigned to the centralized receipting office to process money orders to be deposited into prisoner accounts. In addition, DOC transferred responsibility of the prisoner store to a regional operation in Ionia during July 2009 and transferred the prisoner Trust Accounting and Payroll System (TAPS) to the Marquette Branch Prison in June 2009.

Audit Objective: To assess the effectiveness of selected Facility business office operations.

Audit Conclusion: **We concluded that selected Facility business office operations were moderately effective.** We noted two reportable conditions related to the Prisoner Benefit Fund and prisoner store operations (Findings 7 and 8).

FINDING

7. Prisoner Benefit Fund (PBF)

The Facility did not implement sufficient controls to ensure the accuracy of PBF's financial statements. As a result, the Facility's published PBF financial statements for fiscal year 2008-09 were misstated.

DOC policy directive 04.02.110 states that accounting procedures for PBF shall be consistent with generally accepted accounting principles (GAAP). Also, the policy directive requires that the business office prepare monthly revenue and expense statements and balance sheet reports.

The Facility did not have adequate written procedures for preparing PBF's financial statements. Also, the individual who prepared the financial statements was not familiar with GAAP, and managerial staff did not sufficiently review the accuracy of the prepared statements. Our review of PBF's financial statements identified the following errors:

- a. For February and March 2009, the Facility reported revenue from prisoner store net profits in PBF's financial statements of \$6,059 and (\$6,505), respectively. However, for the same months, the Facility reported net profits in the prisoner store income statements of \$643 and \$1,258, respectively.
- b. The Facility recorded several erroneous accounting entries in October 2008, November 2008, and March 2009. As a result, the Facility reported accounts receivable of (\$433) on its November 2008 balance sheet and (\$3,896) on its March 2009 balance sheet. Generally, accounts receivable are a positive balance of amounts expected to be collected.
- c. The Facility indicated on the PBF's March 2009 balance sheet that cash increased \$9,968 from the previous month. However, we determined that cash should have increased by only \$2,291 for this period. The Facility had not reconciled the difference at the time of our review.

Facility staff responsible for reviewing PBF's financial statements stated that they do not have time to closely review information presented within the financial statements.

RECOMMENDATION

We recommend that the Facility implement sufficient controls to ensure the accuracy of PBF's financial statements.

AGENCY PRELIMINARY RESPONSE

The Facility agrees with the recommendation and informed us that it has complied. The Facility indicated that the business office has revised the financial reports and has resumed its practice of reviewing PBF statements prior to issuance. The Facility informed us that this practice had been temporarily discontinued due to increased demands on the business office operations. In addition, DOC informed us that it is developing standardized PBF statements to assist in ensuring the accuracy of the statements.

FINDING

8. Prisoner Store Operations

DOC did not ensure that the Facility maintained effective internal control to ensure the accuracy of prisoner store inventory records and financial statements. Ineffective internal control increases the risk of mismanagement, theft, abuse, and errors in financial reporting.

DOC policy directive 04.02.130 requires that facilities conduct a monthly inventory of store stock and that business office staff, not involved in conducting the inventory, verify its accuracy. The policy directive also requires that facilities maintain a perpetual inventory record of items stocked in the store, reconcile the perpetual inventory with the monthly physical inventory, and investigate significant differences. In addition, the policy directive requires that facilities establish controls to account for prisoner store inventory and to prevent loss. Facility operating procedure 04.02.130 states that the Facility storekeepers, teamed with business office staff, are to conduct a physical count on the first business day of each month. Furthermore, the Facility informed us that discrepancies between the physical inventory count and the perpetual inventory record of 10 or more are to have a second count.

For the six-month period October 2008 through March 2009, the Facility reported prisoner store net profits of \$9,778 and an average prisoner store ending inventory of \$50,384. We reviewed various prisoner store inventory activities completed by

the Facility during the period December 2008 through April 2009. Our review disclosed:

- a. The Facility did not conduct monthly physical inventories for 2 of the 5 months (December 2008 and March 2009) that we reviewed. As a result, the Facility could not ensure the accuracy of ending inventory balances reported on the prison store income statements for December 2008 and March 2009. Also, the Facility reported that prisoners assisted in the completion of the April 2009 physical inventory.
- b. The Facility's February physical inventory count disclosed that 53 (26.4%) of the 201 inventory items counted had discrepancies equal to or more than 10 items when compared with the perpetual inventory record. In 21 (39.6%) of these 53 instances, the Facility did not conduct a second count. As a result, the Facility could not ensure the accuracy of the inventory balances reported for these 21 items.
- c. The Facility's determination of its March 2009 ending inventory balance contained a calculation error. The error resulted in a \$1,000 understatement of its March ending inventory, April beginning inventory, and March prisoner store net profits.

The Facility uses prisoner store inventory data to develop monthly financial statements and enter transactions into MAIN. Furthermore, the prisoner store net profit is transferred to the PBF. Therefore, a misstatement in the prisoner store ending inventory misstates its net profit resulting in an incorrect transfer to the PBF.

The Facility stated that the prisoner store inventory and operation was transferred to Ionia in July 2009 and, as a result, the Facility is no longer responsible for them.

RECOMMENDATION

We recommend that DOC ensure that facilities maintain effective internal control to ensure the accuracy of prisoner store inventory records and financial statements.

AGENCY PRELIMINARY RESPONSE

DOC agrees with the recommendation. However, DOC indicated that it wished to clarify that each of the errors cited related to ending inventory balances which were nullified when the next month's ending inventory balance was determined. DOC informed us that it will remind facilities to ensure that prisoner store inventories are conducted monthly and that prisoners are not involved in the inventory counts. DOC also informed us that it is developing standardized prisoner store statements to assist in ensuring the accuracy of the statements.

SUPPLEMENTAL INFORMATION

SAGINAW CORRECTIONAL FACILITY
Department of Corrections
Volume of Prisoner Receipts Processed
February 1, 2009 through May 31, 2009

Month	Central Receipting Office				JPay	
	Number of Money Orders Processed	Number of Rejected Money Orders	Total Money Orders	Dollar Value	Number of Transactions	Dollar Value
February	42,323	418	42,741	\$ 2,570,798	1,506	\$ 108,409
March	43,528	212	43,740	2,509,855	8,357	547,007
April	36,785	200	36,985	2,052,227	10,558	657,944
May	32,669	none reported	32,669	1,792,345	11,865	737,003
Totals	<u>155,305</u>	<u>830</u>	<u>156,135</u>	<u>\$ 8,925,225</u>	<u>32,286</u>	<u>\$ 2,050,363</u>
Average per Month	38,826	208	39,034	2,231,306	8,072	512,591

The Central Receipting Office (CRO) processes money orders received via the mail and debits the value of the money orders to individual prisoner accounts within the Trust Accounting and Payroll System (TAPS). JPay is a private vendor whose system interfaces with TAPS and allows for the electronic transfer of funds to prisoner accounts.

The CRO processed 39,000 money orders per month compared with 8,000 electronic transfers processed by JPay for the 4 months reviewed. However, JPay's volume steadily increased during the 4 month period while CRO's volume decreased by approximately 10,000 transactions over four months.

Source: Saginaw Correctional Facility

SAGINAW CORRECTIONAL FACILITY
Photographs of Prisoner-Built Cabin

Cabins are built on the grounds of the Saginaw Correctional Facility by prisoners and then moved to various State parks where they are available for rent.



Photographs used with the permission of the Department of Corrections.

GLOSSARY

Glossary of Acronyms and Terms

bubble	Central point of entry into and exit from a facility.
clothed-body search	A thorough manual and visual inspection of all body surfaces, hair, clothing, wigs, briefcases, prostheses, and similar items and visual inspection of the mouth, ears, and nasal cavity. The only clothing items that may be required to be removed are outerwear (e.g., coats, jackets, and hats), shoes, and socks; however, all items shall be removed from pockets.
contraband	Property that is not allowed on facility grounds or in visiting rooms by State law, rule, or DOC policy. For prisoners, this includes any property that they are not specifically authorized to possess, authorized property in excessive amounts, or authorized property that has been altered without permission.
critical tool	An item designated specifically for use by employees only or for use or handling by prisoners while under direct employee supervision. Critical tools are to be stored only in a secure area and accounted for at all times.
CRO	Central Receiving Office.
dangerous tool	An item that may be used or handled by prisoners while under indirect employee supervision. Dangerous tools are to be stored only in a secure area and accounted for at all times.
DOC	Department of Corrections.
effectiveness	Success in achieving mission and goals.
GAAP	generally accepted accounting principles.

gate manifest	A record used to control materials and supplies entering and leaving a facility through the front gates and sallyport.
LEIN	Law Enforcement Information Network.
level I	A security classification assigned to a facility or a prisoner. The facility has minimum security, including a single security fence. These facilities house prisoners who are relatively near parole, who are not serving time for a sexual offense, and who have no history of certain kinds of arson behavior.
level II	A security classification assigned to a facility or a prisoner. The facility has low medium security, including open barracks-style housing and a full security perimeter with double fences, concertina wire, and a perimeter detection system. These facilities house prisoners who generally have longer sentences than do level I prisoners and who need more supervision but who are not difficult to manage or likely to escape.
level IV	A security classification assigned to a facility or a prisoner. The facility has close security, including a full security perimeter with double fences, concertina wire, and a perimeter detection system with gun towers. These facilities house prisoners who have a sentence of more than 60 months, who can generally be managed in the general population of prisons, and who have not shown a tendency to escape.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.

Michigan Administrative Information Network (MAIN)	The State's fully integrated automated administrative management system that supports the accounting, payroll, purchasing, contracting, budgeting, personnel, and revenue management activities and requirements. MAIN consists of three major components: MAIN Enterprise Information System (EIS); MAIN Financial Administration and Control System (FACS); and MAIN Management Information Database (MIDB).
mission	The main purpose of a program or agency or the reason that the program or agency was established.
pat-down search	A brief manual and visual inspection of body surfaces, clothing, briefcases, and similar items. The only clothing items that may be required to be removed are outerwear (e.g., coats, jackets, and hats) and shoes; however, all items shall be removed from pockets.
PBF	Prisoner Benefit Fund.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve program operations, to facilitate decision making by parties responsible for overseeing or initiating corrective action, and to improve public accountability.
reportable condition	A matter that, in the auditor's judgment, falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the objectives of the audit; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

sallyport	A controlled, secure gate by which vehicles can enter the facility grounds through the perimeter fencing.
self-audit	An audit performed by facility staff that enables management and staff to ensure that an operational unit complies with policy directives and takes proactive steps to correct any noncompliance. Performing self-audits is intended to maximize safe and efficient operations by DOC.
Trust Accounting and Payroll System (TAPS)	The automated accounting system that supports the accounting of the prisoners' funds and payroll.

