STATE OF CONNECTICUT

AUDITORS’ REPORT
DEPARTMENT OF CORRECTION
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2007

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON  ROBERT G. JAEKLE
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Auditors' Report
Department of Correction
For the Fiscal Years Ended June 30, 2006 and 2007

We have made an examination of the financial records of the Department of Correction for the fiscal years ended June 30, 2006 and 2007. This report on our examination consists of Comments, Recommendations and Certification which follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Department of Correction. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating internal control policies and procedures established to ensure such compliance.

Comments

Foreword:

The Department of Correction operates under Title 18, Sections 18-7 through 18-107 of the General Statutes. It defines its mission as protecting the public, protecting staff, and providing safe, secure and humane supervision of offenders with opportunities that support successful community reintegration.

The Department is headed by a Commissioner who is responsible for the administration, coordination and control of the operations of the Department including the overall supervision and direction of all institutions, facilities and activities of the Department. Theresa C. Lantz continued to serve as Commissioner throughout the audited period.

Agency business operations are located within its administrative offices in Wethersfield. The Department operates the following 18 correctional facilities that include correctional institutions (CI) and correctional centers (CC):
Correctional centers serve primarily as jails, acting as intake facilities for unsentenced males and for the confinement of males with shorter sentences. The Manson Youth Institution is used for confining male inmates between the ages of 14 and 21. The York Correctional Institution is used for sentenced and unsentenced female prisoners with all other Correctional Institutions generally incarcerating male inmates with sentences greater than two years.

Each facility is established at one of four levels of security ranging from level 2, low security, to level 5, high security. Level 1 is for inmates who have been released into the community but are still in the custody of the DOC.

According to Department statistics, total incarcerated population as of June 30, 2007, was 18,892, consisting of 17,484 males and 1,408 females. In addition to incarcerated inmates, the Department oversaw 4,870 level one inmates released into the community as of June 30, 2007.

Board of Pardons and Paroles:

The Board of Pardons and Paroles operates under the provisions of Section 54-124a of the General Statutes. The Board of Pardons and Paroles is an autonomous body which is within the Department of Correction for administrative purposes only and was established to provide independence over pardon and parole decisions. The Department of Correction is responsible for supervising parolees under the jurisdiction of the Board. The Board consists of thirteen members appointed by the Governor with the advice and consent of either house of the General Assembly.

RÉSUMÉ OF OPERATIONS:

General Fund Revenues and Receipts:

General Fund receipts of the Department of Correction for the audited period were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fiscal Year Ended June 30.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Board of inmates in jail</td>
<td>$4,574,938</td>
</tr>
<tr>
<td>Recovery – inmates cost of incarceration</td>
<td>1,910,561</td>
</tr>
<tr>
<td>Child nutrition program</td>
<td>968,051</td>
</tr>
<tr>
<td>Refunds expenditures – prior years</td>
<td>983,116</td>
</tr>
<tr>
<td>Other miscellaneous fees</td>
<td>379,800</td>
</tr>
</tbody>
</table>
General Fund receipts consisted primarily of reimbursement for board and care of Federal detainees, recoveries of cost of incarceration collected by the Office of the Attorney General and the Department of Administrative Services Collection Services, and Federal Child nutrition program revenues. General Fund receipts decreased by $930,530 during the 2005-2006 fiscal year and increased by $533,658 during the 2006-2007 fiscal year. Decreases in the 2005-2006 fiscal year were primarily due to decreases in board of inmates in jail recoveries of $1,357,578 due to fewer days of care for detainees of the Federal Department of Homeland Security, Immigration and Customs Enforcement. This decrease was offset by a $360,975 increase in recovery of inmates cost of incarceration. Increases in receipts in the 2006-2007 fiscal year were primarily due to increases in recoveries of inmates cost of incarceration and in child nutrition program receipts.

General Fund Expenditures:

General Fund expenditures for the Department of Correction are summarized below:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Personal services</td>
</tr>
<tr>
<td>Contractual services – Medical fees</td>
</tr>
<tr>
<td>Contractual services – All other</td>
</tr>
<tr>
<td>Commodities – Food</td>
</tr>
<tr>
<td>Commodities – All other</td>
</tr>
<tr>
<td>Workers' Compensation</td>
</tr>
<tr>
<td>Sundry</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
<tr>
<td><strong>Total Budgeted Accounts</strong></td>
</tr>
</tbody>
</table>

Budgeted account expenditures increased by $26,052,283 and $31,593,847 during the fiscal years ended June 30, 2006 and 2007, respectively. Personal services and contractual services–medical fees account for the majority of budgeted account expenditure increases.

Personal services increases of $10,335,576 and $26,498,788 during the respective audited fiscal years were due to annual salary increases and increases in staffing levels. Staffing levels increased from 6,424 full-time positions at June 30, 2005, to 6434 positions at June 30, 2006, and to 6728 positions at June 30, 2007.

Contractual services–medical fees consisted almost exclusively of payments to the University of Connecticut Health Center made under a memorandum of understanding to provide a comprehensive managed health care program for inmates. Medical fee payments increased by $6,911,236 and $1,403,289 during the respective audited fiscal years as a result of
increases in service levels and operating costs.

**Special Revenue Fund - Federal and Other Restricted Accounts:**

Federal and other restricted account receipts for the fiscal year ended June 30, 2006 and 2007, were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$3,192,414</td>
<td>$2,310,593</td>
</tr>
<tr>
<td>Other than Federal</td>
<td>909,460</td>
<td>947,276</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>$4,101,874</strong></td>
<td><strong>$3,257,869</strong></td>
</tr>
</tbody>
</table>

Expenditures from Federal and other restricted accounts for the fiscal year ended June 30, 2006 and 2007, are presented below:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Federal</th>
<th>Other</th>
<th>Total</th>
<th>Federal</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>$1,421,876</td>
<td>$1,276,552</td>
<td>$145,324</td>
<td>$1,405,298</td>
<td>$1,188,017</td>
<td>$217,281</td>
</tr>
<tr>
<td>Contractual services</td>
<td>1,935,068</td>
<td>1,695,445</td>
<td>239,623</td>
<td>811,080</td>
<td>707,223</td>
<td>103,857</td>
</tr>
<tr>
<td>Commodities</td>
<td>631,665</td>
<td>101,927</td>
<td>529,738</td>
<td>725,973</td>
<td>142,725</td>
<td>583,248</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>682,358</td>
<td>671,775</td>
<td>10,583</td>
<td>680,306</td>
<td>667,599</td>
<td>12,707</td>
</tr>
<tr>
<td>Sundry</td>
<td>214,385</td>
<td>174,992</td>
<td>39,393</td>
<td>280,977</td>
<td>252,784</td>
<td>28,193</td>
</tr>
<tr>
<td>Equipment</td>
<td>112,335</td>
<td>66,068</td>
<td>46,267</td>
<td>152,778</td>
<td>80,330</td>
<td>72,448</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,997,687</strong></td>
<td><strong>$3,986,759</strong></td>
<td><strong>$1,010,928</strong></td>
<td><strong>$4,056,412</strong></td>
<td><strong>$3,038,678</strong></td>
<td><strong>$1,017,734</strong></td>
</tr>
</tbody>
</table>

Federal and other restricted account expenditures decreased by $611,060 in the 2005-2006 fiscal year primarily as a result of reductions in Department of Education Federal grants. Decreases in expenditures of $941,275 in the 2006-2007 fiscal year were primarily due to reductions in Department of Criminal Justice Federal grants.

**Other Special Revenue Funds:**

Special Revenue Fund expenditures, excluding “Federal and other restricted accounts”, totaled $5,554,376 and $2,974,570 for the 2005-2006 and 2006-2007 fiscal years, respectively. This includes expenditures totaling $14,766 and $31,303 for renovation projects, and equipment purchases made through the Capital Equipment Purchases Fund totaling $3,195,610 and $2,943,053 during the respective audited years. In addition, grants totaling $2,344,000 and $214 were paid during the respective audited fiscal years to the towns of Suffield and Enfield to subsidize additional costs incurred by these towns from the building and expansion of DOC facilities.

**Correctional Industries Fund:**
The Correctional Industries Fund accounts for the operations of Correctional Enterprises of Connecticut (CEC) and Inmate Commissaries. Through the use of inmate labor, CEC produces goods and/or services that are sold primarily to other State agencies. CEC may also sell items to other governmental agencies and private nonprofit entities. During the audited period, approximately 60 percent of CEC sales were to the Department of Correction and approximately 22 percent were to the Department of Motor Vehicles. The Inmate Commissaries sell various personal supplies and food items to inmates. Monies are transferred from the individual Inmates' Fund accounts to the Correctional Industries Fund when inmates purchase Commissary items. A summary of cash receipts and disbursements for the Fund during the audited period follows:

<table>
<thead>
<tr>
<th></th>
<th>CEC</th>
<th>Commissary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Balance, July 1, 2005</td>
<td>$2,008,710</td>
<td>$4,926,065</td>
<td>$6,934,775</td>
</tr>
<tr>
<td>Receipts</td>
<td>6,773,414</td>
<td>13,161,831</td>
<td>19,935,245</td>
</tr>
<tr>
<td>Disbursements</td>
<td>6,560,203</td>
<td>14,284,065</td>
<td>20,844,268</td>
</tr>
<tr>
<td><strong>Cash Balance, June 30, 2006</strong></td>
<td><strong>2,221,921</strong></td>
<td><strong>3,803,831</strong></td>
<td><strong>6,025,752</strong></td>
</tr>
<tr>
<td>Receipts</td>
<td>7,476,864</td>
<td>14,127,355</td>
<td>21,604,219</td>
</tr>
<tr>
<td>Disbursements</td>
<td>8,530,242</td>
<td>13,694,505</td>
<td>22,224,747</td>
</tr>
<tr>
<td><strong>Cash Balance, June 30, 2007</strong></td>
<td><strong>$1,168,543</strong></td>
<td><strong>$4,236,681</strong></td>
<td><strong>$5,405,224</strong></td>
</tr>
</tbody>
</table>

Cash receipt increases of $1,668,974 during the 2006-2007 fiscal year resulted from increases in commissary sales of $965,524 and CEC sales of $703,450. Cash disbursement increases of $1,380,479 during the 2006-2007 fiscal year consisted of increases in CEC disbursements of $1,970,039 that were offset by decreases of $589,560 in commissary disbursements. During the audited period, commissary expenditure levels had fluctuated inversely to sales activity which was caused by significant changes in fiscal year end accounts payable balances that had affected the timing and recognition of expenditure activity between the different fiscal years. CEC expenditure increases during the 2006-2007 fiscal year had resulted from purchases made for increased sales activity and for the funding of an approximate $800,000 increase in inventory levels.

Per Capita Costs:

The weighted average daily per capita cost for the operation of correctional facilities, as calculated by the State Comptroller for the 2005-2006 fiscal year was $121. The cost for the 2006-2007 fiscal year was $123.

Fiduciary Funds:

The DOC maintains two fiduciary funds, a Special Projects Activity Fund and an Inmates’ Fund. Activity Funds operate under the provisions of Sections 4-52 through 4-57a of the General Statutes. The Special Projects Activity Fund accounts for various minor inmate events. Inmates’ Funds are custodial accounts for inmates' personal monies.

According to Agency financial statements, cash and cash equivalents as of June 30, 2007,
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totaled $2,410,624 for the Inmates’ Fund and $79,839 for the Special Projects Activity Fund.
CONDITION OF RECORDS

Our review of the Department's records revealed several areas requiring improvement or further comment as discussed below:

**Late Deposits:**

*Criteria:* Section 4-32 of the General Statutes requires receipts of $500 or more to be deposited within 24 hours, and receipts totaling less than $500 within seven calendar days.

*Condition:* Testing of 20 cash receipt transactions for the Inmate Trust Fund disclosed that two deposits, totaling $225, were both deposited two days late.

*Effect:* The above incidents are violations of Section 4-32 of the General Statutes.

*Cause:* Cash receipts were not always processed in a timely manner.

*Recommendation:* The Department of Correction should ensure that deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes. (See Recommendation 1.)

*Agency Response:* “The Inmate Trust Unit has begun a re-training process emphasizing the importance of timely deposits. This training will include a reminder of criteria used for the return of money orders which appear to not fit existing criteria (visitor list, exact name match, etc.) In addition the Unit has re-organized to include cross training of staff to enable us to devote sufficient staff to heavy traffic periods and ensure that it has adequate coverage to process all incoming funds as mandated by Section 4-32 of the General Statutes. Finally, the Department’s Fiscal Standard and Development Unit is currently conducting an in-house audit to identify any remaining issues which need to be addressed in the re-training effort.”

**Incarceration Cost Recoveries From Inmates:**

*Criteria:* Section 18-85a-4 of the State Regulations concerning the Department of Correction states that the inmate’s responsibility to pay the assessed cost of incarceration shall be discharged in part by a ten percent deduction from all deposits made to an inmate’s individual account, including deposits made from work assignments. Under Section 18-85a-2 of the Regulations, inmates shall be charged for the costs of incarceration on or after October 1, 1997.
**Condition:** The Department has not yet begun complying with regulations which require that ten percent be deducted from inmates’ account receipts for the recovery of the costs of incarceration.

**Effect:** The Department has not complied with its regulations to recover costs of incarceration from inmates.

**Cause:** The Department has not complied with current regulations but has tried to modify inmate withholding requirements. Under the provisions of Public Act 07-158, effective October 1, 2007, the Department was given authority to establish a discharge savings program whereby up to ten percent of inmate earnings up to $1,000 are transferred to a savings account to be paid to the inmate upon their release from prison. However, The Department feels additional legislative changes are needed to address accounting and other issues prior to implementation of the new discharge savings account program and plans to pursue these issues as well as clarifying the status of recovering costs of incarceration from deposits to inmates’ account receipts.

**Recommendation:** The Department of Correction should take appropriate action to comply with or amend regulations regarding the recovery of incarceration costs from inmates. (See Recommendation 2.)

**Agency Response:** “Public Act 07-158 amended CGS Section 18-85 and various related sections to provide authority to the Department to withhold ten percent of inmate receipts. The Act, as written, left certain inconsistencies and created requirements that make implementation problematic. Working with the Office of the Attorney General, we developed a legislative proposal to amend Public Act 07-158 during the 2008 Session. The proposal was not adopted by the Legislature. We intend to propose revisions again in the coming Session.”

**Inmate Payroll Time Records:**

**Criteria:** The DOC Administrative Directive 10.1, Inmate Assignment and Pay Plan, requires that inmate compensation be based on daily attendance and hours worked. Agency procedures provide that inmate workers must “punch in” and “punch out” for hours worked. Agency procedures also require increases in inmate pay rates to be documented on pay rate justification forms. The minimum record retention requirement for employee time sheets and cards under the State Agency Records Retention Schedule S3 is three years or until audited, whichever comes later.
Condition: 1. A test check of Correctional Enterprises payroll payments made during the audited period disclosed that time cards were not retained for inmate workers at the Cheshire facility, as required by record retention requirements.
   2. Testing of inmate pay rate increase justification forms for commissary operations at York Correctional Institution disclosed that five of the 12 forms tested could not be located.

Effect: 1. Documentation to support daily attendance and hours worked was lacking and the discarding of timecards is a violation of State records retention policies.
   2. Documentation for inmate pay rate increases was lacking.

Cause: 1. Inmate time records were discarded in violation of established record retention policies.
   2. Commissary employees did not retain inmate pay rate increase justification forms for all inmate employees.

Recommendation: Inmate payroll records should be properly retained in accordance with State records retention policies and Department of Correction procedures. (See Recommendation 3.)

Agency Response: “1. The Department acknowledges that the daily attendance cards where inadvertently discarded at the Cheshire facility. The Director of Correctional Enterprises has taken corrective action by dedicating a separate file storage area with cabinets to store the appropriate records to meet record retention guidelines. Recently, the Shop Supervisor and the Director performed a separate investigation of payroll records for compliance with positive results. These checks will be ongoing to reinforce the records retention policy.
   2. In the course of relocating the York Commissary operation a series of pay increase records were discarded in error. The new location will provide for reliable storage in accordance with record retention requirements. “

Correctional Enterprises – Cost Accounting Records:

Criteria: The Correctional Enterprises of Connecticut’s (CEC) mission statement provides, in part, for employment of the maximum number of inmates consistent with a net operating income and positive cash flow. According to Section 18-88, subsection (e), of the General Statutes, CEC’s products shall be sold at prices comparable with the lowest market prices for products sold outside the institutions. CEC’s policy and procedures manual, policy 1.2.1, requires the
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maintenance of cost and pricing information to measure performance and to assist in identifying problems and situations needing management attention.

**Condition:**
While improvements were noted over cost accounting worksheets, CEC operations cost calculations were not being maintained on a comprehensive basis that includes overhead and other fixed costs, and comparison to prevailing market prices.

**Effect:**
Without the proper maintenance of cost information, management oversight over costs and pricing of CEC’s products and services is weakened.

**Cause:**
Certain financial and other information was not included on cost accounting worksheets.

**Recommendation:**
The maintenance of cost accounting information on the Correctional Enterprises of Connecticut’s operations should be improved to ensure that manufacturing and service costs are accurate and that sale prices are compared to applicable prevailing market prices. (See Recommendation 4.)

**Agency Response:**
“Fiscal Services and CEC Management will continue to work collaboratively to improve accuracy and continued availability of required cost accounting information where applicable. The Agency is currently in the process of upgrading its financial reporting software and hopes to explore the availability of a compatible cost accounting inventory system to replace the antiquated system in use to take advantage of new technologies.”

**Correctional Enterprises – Annual Business Plan:**

**Criteria:**
Department of Correction Administrative Directive 10.20, Section 4 B, requires that prior to July 1, an annual business plan be developed for the following fiscal year for operations of the Correctional Enterprises of Connecticut.

**Condition:**
Annual business plans for Correctional Enterprises of Connecticut were not prepared for the fiscal years ended June 30, 2006 and 2007.

**Effect:**
The Correctional Enterprises of Connecticut was not in compliance with their administrative directive.


**Cause:**

The Director of Correctional Enterprises did not prepare an annual business plan because he was newly appointed as Director and during the audited period, expended his time and efforts primarily in restructuring CEC operations.

**Recommendation:**

The Correctional Enterprises of Connecticut should prepare annual business plans for its operations as required by Department of Correction policy. (See Recommendation 5.)

**Agency Response:**

“During the audited period, the Director of Correctional Enterprises retired from State service in the spring of 2006 and the administration was transitioning from an interim Acting Director through the recruitment process and eventual appointment of permanent replacement. The initial focus of the newly appointed Director was to familiarize himself with the global CEC operations, recommend and implement changes where necessary to improve efficiencies and expansion of business opportunities for the systemic benefit of the Agency. The Director is currently in compliance with Administrative Directive 10.20 with the submission of annual business plan for the current fiscal year.”
RECOMMENDATIONS

Our prior report on the Department of Correction contained seven recommendations. Of these recommendations, three have been implemented or otherwise resolved and four have been repeated herein. As a result of our current examination, we have included one new recommendation on the preparation of an annual business plan for Correctional Enterprises of Connecticut operations. The status of the prior recommendations is presented below:

- **The Department of Correction should ensure that all deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes** - Late deposits were again encountered for Inmate Fund operations. As a result, the recommendation is being repeated. (See Recommendation 1.)

- **The Department of Correction should improve procedures over Federal reimbursements received for inmate care** - The Department took action to negotiate and update reimbursement rates for the care of detainees of the Immigration and Customs Enforcement (ICE) Federal Agency. However, both parties could not agree on a new rate and service levels and it was mutually agreed that the Department would provide limited care for ICE detainees. As a result of these actions, this recommendation is not being repeated.

- **The Department of Correction should take appropriate action to comply with or amend regulations regarding the recovery of incarceration costs from inmates** - The Department has not yet begun complying with regulations requiring ten percent to be deducted from inmates’ accounts receipts for the recovery of the costs of incarceration. As a result, the recommendation is being repeated. (See Recommendation 2.)

- **Correction Industries should retain inmate time records at its Cheshire operating location in accordance with State records retention policies** - Missing time records continued to occur and this recommendation is being repeated. (See Recommendation 3.)

- **Correctional Enterprises of Connecticut fixed asset records should be adjusted to reflect actual balances of equipment owned** - The Department has adjusted fixed asset records to reflect actual balances of equipment owned resolving this recommendation.

- **The Department of Correction should ensure that payments for training courses, conferences or seminars are documented by proof of attendance** - Improvements in attendance records for training were made and as a result, this recommendation is not being repeated.

- **The maintenance of cost accounting information on the Correctional Enterprises of Connecticut’s operations should be improved to ensure that manufacturing and service costs are accurate and that sale prices are compared to applicable prevailing market prices** - Weaknesses in the maintenance of cost and pricing information continue to exist so this recommendation is being repeated. (See Recommendation 4.)
Current Audit Recommendations:

1. The Department of Correction should ensure that deposits are made in a timely manner in accordance with Section 4-32 of the General Statutes.

   Comment:

   Our testing of cash receipts noted several incidents of late deposits.

2. The Department of Correction should take appropriate action to comply with or amend regulations regarding the recovery of incarceration costs from inmates.

   Comment:

   The Department has not yet begun complying with regulations requiring that ten percent of deposits be deducted from inmates’ account receipts for the recovery of the costs of incarceration.

3. Inmate payroll records should be properly retained in accordance with State records retention policies and Department of Correction procedures.

   Comment:

   Time cards were not retained for Correctional Industries inmates working at the Cheshire facility. In addition, pay rate justification forms were not always retained for inmates working at the York Correctional Institution commissary.

4. The maintenance of cost accounting information on the Correctional Enterprises of Connecticut’s operations should be improved to ensure that manufacturing and service costs are accurate and that sale prices are compared to applicable prevailing market prices.

   Comment:

   Our review showed that improvements were needed in the maintenance of cost accounting records for Correctional Enterprises of Connecticut operations.
5. The Correctional Enterprises of Connecticut should prepare annual business plans for its operations as required by Department of Correction policy.

Comment:

Annual business plans for Correctional Enterprises of Connecticut were not prepared for the fiscal years ended June 30, 2006 and 2007, as required by Department of Correction policy.
INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes, we have audited the books and accounts of the Department of Correction for the fiscal years ended June 30, 2006 and 2007. This audit was primarily limited to performing tests of the Agency’s compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the Agency’s internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly initiated, authorized, recorded, processed and reported on consistent with management’s direction, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Correction for the fiscal years ended June 30, 2006 and 2007, are included as part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Correction complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

In planning and performing our audit, we considered the Department of Correction’s internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Agency’s financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Agency’s internal control over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency’s ability to
properly initiate, authorize, record, process, or report financial data reliably, consistent with management’s direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency’s internal control. We consider the following deficiencies, described in detail in the accompanying “Condition of Records” and "Recommendations" sections of this report, to be significant deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements:

Recommendation 3 – Time cards at the Cheshire facility were not retained and pay rate justification forms at the York Correctional Institution were not always retained for inmate payroll.

Recommendation 4 – Cost accounting records were not being maintained on a comprehensive basis that included overhead and other fixed costs.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency’s financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency’s internal control.

Our consideration of the internal control over the Agency’s financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above is a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Department of Correction complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters which we reported to Agency management in the accompanying “Condition of Records” and “Recommendations” sections of this report.
The Department of Correction’s response to the findings identified in our audit are described in the accompanying “Condition of Records” section of this report. We did not audit the Department of Correction’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of Agency management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.
CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by officials and staff of the Department of Correction during the examination.

Anthony Turko
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts