

Ohio | Department of Rehabilitation & Correction

John R. Kasich, Governor
Gary C. Mohr, Director

To: Randall J. Meyer, Ohio Inspector General

Through: Gary C. Mohr, Director, ODRC
Stuart Hudson, Managing Director, ODRC
Roger Wilson, Chief Inspector, ODRC

From: Kelly M. Sanders, Deputy Director, ODRC
Butch Hunyadi, Assistant Chief Inspector, ODRC

Re: Report of Investigation 2013-CA00004

Date: October 24, 2014

On June 11, 2014, the Office of the Ohio Inspector General released a Report of Investigation of financial activities for the Industry and Entertainment fund at Dayton Correctional Institution (File ID No.: 2013-CA00004). The report contained thirty-one (31) recommendations.

Director Gary C. Mohr, of the Ohio Department of Rehabilitation and Correction (ODRC) was requested to respond within sixty (60) days with a plan detailing how the recommendations will be implemented. For each of the recommendations made by the Office of the Ohio Inspector General, ODRC's responses are listed below:

RECOMMENDATIONS

1. Review the conduct of the employees named in this report of investigation and consider whether further administrative action is warranted.

RESPONSE:

ODRC Office of the Chief Inspector has opened an investigation targeting the ten determinations identified from the investigative report. The office has assigned an Assistant Chief Inspector to lead the investigation who is supported by two staff from DBA who are providing fiscal expertise. Each determination has been examined in detail that has resulted in extensive analysis of fiscal reports, staff interviews, policy, rule and operations manual review. A final detailed report on the findings from this investigation will be provided to the Director of ODRC.

2. Review the additional concerns and non-compliance issues identified in this report and consider whether policy or procedural revisions should be made. When issuing revised policies and procedures, ODRC should consider requiring employees acknowledge receipt of the revisions.

RESPONSE:

ODRC is revising existing policies to incorporate the requirement for employees to acknowledge receipt of new and or revised policies or procedures. The signed acknowledgements will be maintained at each institution for future compliance audits.

Policies and Procedures

3. Update business operation, cashier, and CACTAS manuals to document required frequencies to transfer funds between correctional institutional funds required by the Ohio Administrative Code for the Inmate Personal Trust, Commissary, and I & I funds; clarify requirements of whether it is the invoice or a check amount of \$500 or more that requires ODRC Central Office approval to ensure funds are transferred as required and spent for an allowable purpose.

RESPONSE:

ODRC is revising existing manuals to incorporate requirements to address the frequency for transferring funds as required by Ohio Administrative Code for applicable accounts and will clarify when approval is needed from ODRC Central Office (Operation Support Center) for fund expenditures.

4. Update existing cashier's office and business office manuals to implement the removal of items from the warehouse after hours or when the storekeeper and staff are unavailable. These manuals should also include the documentation required to be completed when removing inventory items to ensure the electronic inventory is updated.

RESPONSE:

ODRC is revising existing manuals to require documentation if inventory items are removed and will detail the procedures for the removal of items from the warehouse after hours or when the storekeeper and staff are unavailable.

5. Revise ODRC policies, procedures, and manuals to include the required number of signatures on checks issued from local accounts, identify backup signatories if a designated signatory is unavailable, and train those additional signatories on what their review of the documents should include prior to signing the check.

RESPONSE:

ODRC is revising existing policies and or manuals to incorporate the requirement of a signature authority be maintained at each institution for future compliance audits. Training is being developed for additional signatories.

6. Consider implementing a policy requiring vendors collecting their payment at the front gate to sign a document stating they received the payment.

RESPONSE:

ODRC is revising existing forms, policies and or manuals to incorporate procedures on how the delivery of payments will be made to vendors in person.

7. Consider revising ODRC policies to restrict who is authorized to make purchases on institutional accounts maintained with vendors.

RESPONSE:

ODRC does not maintain institutional accounts with vendors. ODRC is revising existing policies and or manuals to specifically prohibit institutional accounts from being opened or maintained with vendors.

8. Consider implementing a policy requiring receipts to be provided to employees when funds are advanced to and unspent funds are returned for purchases made on behalf of the correctional institution.

RESPONSE:

ODRC is revising existing policies and or manuals to incorporate procedures on how the accountability of advanced and unspent funds will be obtained.

9. Recommend discussing with the Ohio Office of Budget and Management how to implement a process to ensure vendors paid from local funds in excess of \$600 in a calendar year will be issued an IRS Form 1099 MISC.

RESPONSE:

The Ohio Office of Budget and Management has communicated the requirements for issuing IRS Form 1099 MISC. ODRC will be communicating with the software vendor and or developing internal processes to help ensure said form will be properly issued to vendors.

10. Implement a written policy permitting wardens to grant their signatory authority, require the warden document in writing who they have granted signature authority to, when it is granted, and require this information to be submitted to ODRC division of business administration and external audits to verify only those with authority are signing documents submitted to ODRC's Central Office.

RESPONSE:

ODRC is revising existing policies and or manuals to incorporate the signature authority requirement. The signature authority documentation will be maintained at each institution and Central Office for future audits.

11. Implement a policy prohibiting the use of cash slush funds to avoid ODRC purchasing policies and require all off-the-book funds considered public monies to be deposited into an established or new checking account and implement controls to ensure funds are accounted for and spent in accordance with ODRC policies and procedures.

RESPONSE:

ODRC has historically prohibited cash slush funds. A directive will be issued to all institutional Business and Cashier Offices that cash slush funds are prohibited. Existing

manuals and DRC Policy 24-CAS-03, Control and Security of Cash, Checks, and Other Funds will be updated to specifically prohibit the use of slush funds.

12. Establish policies and procedures for the distribution and tracking of musical instruments and promotional CDs circulated among inmates. If safety concerns are determined, implement a policy restricting these items from leaving the recreation department.

RESPONSE:

ODRC has Policy 61-PRP-01 Inmate Personal Property which addresses the distribution and tracking of inmate personal property. ODRC is revising existing policies and or manuals to require documented approval when inventoried recreational items are removed from the recreation department.

13. Establish policies and procedures setting the frequency for counting the petty cash and inmate release change funds; require two individuals be present during the count, document the amount counted in the funds, and require the individuals to sign verifying the fund reconciled to its established amount.

RESPONSE:

ODRC is revising existing policies and or manuals to implement cash count procedures to require the presence of two individuals and written documentation for the count.

Record Keeping

14. Recommend DCI maintain documents supporting payments issued from local funds in accordance with approved records retention schedules.

RESPONSE:

ODRC has Policy 07-ORD-01 Records Management Program which addresses the requirement to maintain documents in accordance to the record retention schedules for the agency and the Ohio Department of Administrative Services. ODRC is revising existing policies and or manuals to implement the requirement of a periodic review of vouchers and other pertinent documents to ensure records are retained.

15. Recommend ODRC require visitor logs to contain the visitor's signature, arrival time, departure time, and verification the visitor had left. Determine when employee signatures should be required on visitor logs when entering various correctional institution buildings and departments. It is suggested periodic reviews of these logs be completed to ensure these procedures are followed.

RESPONSE:

ODRC has Policy 76-VIS-01 Inmate Visitation which addresses the requirements for visitor logs. ODRC is revising existing policies to implement the periodic review of the visitor logs.

CACTAS

16. Recommend adjusting CACTAS to require users document whether the required division of business administration approval was obtained for purchases \$500 or more prior to permitting a check to be issued.

RESPONSE:

ODRC is in discussion with the software vendor regarding implementation of this recommendation. ODRC is revising existing manuals to clarify when approval is needed from ODRC Central Office (Operation Support Center) for purchases of \$500 or more.

17. Consider implementing programming changes in CACTAS to prevent the issuance of a check when funds are not available; from issuing duplicate check numbers; and require the user to enter an explanation as to why a check is being reprinted. These explanations should be reviewed by the audit staff during the annual audit to verify the check was reprinted for a valid business reason.

RESPONSE:

Currently, users are required to select or enter a reason for reprinting a check. The audit standards are being revised to include a review of the reasons checks were reprinted. ODRC is in discussion with the software vendor for preventing the issuance of duplicate check numbers and issuing checks when funds are not available.

Warden's Oversight

18. Require annual approval by the warden of programs to be offered, inmate groups in existence, identification of staff associated with the group, and require this be sent to the ODRC Central Office for consideration when conducting the annual audit. Upon receipt of this report, ODRC Central Office personnel should verify the inmate groups, advisors, and programs have been approved in accordance with ODRC policies and procedures.

RESPONSE:

ODRC is revising the 2015 Ohio Standards and the existing Policy 73-GRP-01 Inmate Groups to implement the annual requirements for inmate group approval and audits.

19. Recommend the warden verifies on a periodic basis that the required background searches on contractors and volunteers with access to DCI inmates were completed, retained, and reviews the justification of whether identified criminal convictions impact the contractor's or volunteer's ability to perform their duties.

RESPONSE:

ODRC Policy 31-PRO-07 Background Investigation addresses the requirement for background searches for contractors and volunteers.

20. Require periodic evaluations of business office staff for compliance with approved institutional policies and procedures to identify weaknesses which may require further training.

RESPONSE:

ODRC will require the Warden to conduct periodic evaluations of business office staff for compliance and to identify weakness. Training is being developed to assist Wardens in identifying weakness as related to policies and procedures.

21. Consider developing a process for documenting the number of inmates participating in a program, submitting this information to the warden, and requiring the warden to review the program to determine whether the services are being provided for the entire inmate population.

RESPONSE:

ODRC is revising existing policies and manuals and developing a process of documentation and review of inmate programs.

22. Consider implementing a periodic review of volunteer and contractor identification cards issued to verify the card was issued in accordance with DRC Policy, for authorized individuals, and determine whether the cards previously issued should be revoked.

RESPONSE:

ODRC has Policy 33-ERD-04 Photo Identification – Staff which addresses volunteer and contractor identification cards. ODRC is revising the existing policy for periodic review of volunteer and contractor cards.

Central Office Oversight

23. Implement a system requiring correctional institutions to report on a periodic basis the number of performances below and above \$500 to the division of business administration to allow them to monitor and verify the correctional institutions have not exceeded the maximum number of performances in a fiscal year as indicated in OAC §5120-5-04.

RESPONSE:

ODRC has Policy 24-CAS-01 Industrial and Entertainment Funds for Outside Entertainment which addresses the requirement for performances. ODRC is revising the existing policy and manual to require all performances be reported and performances at or above \$500 continue to be approved by the Division of Business Administration.

24. Implement a program requiring monthly monitoring of the electronic cashbook to ensure it is completed in its entirety and conduct periodic scanning of local fund disbursements for unusual transactions and obtain additional documentation to verify the expenditure was in accordance with Ohio Revised Code Chapter 5120.

RESPONSE:

Testing of unusual transactions are part of the existing audit programs. ODRC is developing procedures and revising existing policies and manuals for periodic monitoring of the electronic cashbook and local fund disbursements.

25. Email the wardens, business office, and cashier office personnel each time a significant instance of policy or procedural non-compliance is identified as the result of an internal management audit or the closure of a pending investigation. The emails should include generic references to the parties, institutions, departments or divisions involved but with sufficient detail to permit the reader to identify what policies or procedures were not followed.

RESPONSE:

ODRC will post significant findings on the Fiscal Audit section of the Office of Administration website. An email with a link to the website will be sent to wardens, business office and cashier office personnel when new items are posted.

26. Provide training to the wardens, business administrator, account clerk supervisors, and account clerks on what their duties entail; management's expectations of each employee, including their required oversight; how transactions are required to occur and be recorded; and what to do when a transaction deviates from the established expectations, policies, and procedures.

RESPONSE:

ODRC is developing an annual mandatory fiscal training for Wardens, Business Administrator, Account Clerk Supervisors and Account Clerks.

27. Conduct periodic refresher training for business office and cashier's office personnel of when personal service contracts are required and how to negotiate the rates; what elements are required to be included on an invoice; segregation of duties in the purchasing process within the cashier's and business offices; reconciliation of bank accounts which includes verifying the accuracy of information entered into CACTAS; recording transactions in CACTAS; and the frequency of transferring of commissary profits to the I & E fund and from the Inmate Personal Trust Fund to the commissary fund; inmate release process.

RESPONSE:

ODRC is developing an annual mandatory fiscal training for all Business Office and Cashier Office personnel.

Fiscal Audits

28. Consider implementing procedures to ensure records and monthly reconciliations selected for audit are selected randomly at the time of the arrival of the audit team to reduce the likelihood of correctional institution staff altering or creating records to conceal instances of non-compliance or criminal activity.

RESPONSE:

ODRC is revising the existing audit program to clarify the random selection of records at the time of arrival.

29. Recommend for each audit that the auditor selects transactions to verify the issues were corrected.

RESPONSE:

ODRC is revising the existing audit program to ensure the review of recommendations to verify the issues have been corrected.

30. When conducting audits, it is recommended the CACTAS ledger be exported to Excel and the audit staff sort the checks by payees and amounts and search for instances of non-compliance such as not obtaining ODRC Central Office approval for an expenditure \$500 or more, failing to obtain a personal service contract, and unusual vendors.

RESPONSE:

ODRC is revising the existing audit program to ensure a search for instances of non-compliance occurs.

31. For Ohio Fiscal Standards that have been complied with by all correctional institutions in one audit cycle which are then removed from the next audit cycle, consider revisiting these standards in future audits to ensure the correctional institutions remain in compliance.

RESPONSE:

ODRC is revising the existing audit program to ensure a review of standards that have been corrected to help ensure continued compliance.

CONCLUSION:

Upon completion of the responses and in accordance with AR5120-9-30, the ODRC Office of Administration will provide a written report to the ODRC Chief Inspector Office.