



**PERFORMANCE AUDIT**

**STATE CORRECTIONAL INSTITUTION  
AT DALLAS**

**COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF CORRECTIONS**

**OCTOBER 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



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**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

October 2, 2013

Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of the State Correctional Institution at Dallas (SCI Dallas) of the Department of Corrections for the period July 1, 2009, to June 30, 2012. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details the audit objectives, scope, methodology, and findings. The report indicates that the institution maintained effective controls over the monitoring of contracted medical and pharmacy services. The report also notes that the institution implemented our prior audit recommendations with the exception of ensuring that all fire emergency response team (FERT) members receive the required fire safety training. This was the third consecutive audit that SCI Dallas failed to ensure its FERT members received their required training.

We discussed the contents of the report with the management of the institution, and all appropriate comments are reflected in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

**EUGENE A. DEPASQUALE**  
Auditor General

**State Correctional Institution at Dallas  
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**State Correctional Institution at Dallas  
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**Background  
Information**

*History, mission,  
and operating  
statistics*

**Department of Corrections**

The Pennsylvania General Assembly created the Bureau of Corrections under the authority of the Pennsylvania Department of Justice with the passage of Act 408 of July 29, 1953, P.L. 1428 Section I. In December 1980, responsibility moved from the Pennsylvania Department of Justice to the Office of the General Counsel under the Governor. On December 30, 1984, the Governor signed Act 245 of 1984,<sup>1</sup> elevating the Bureau of Corrections to cabinet level status as the Department of Corrections.

The mission of the Department of Corrections is as follows:

*Our mission is to reduce criminal behavior by providing individualized treatment and education to offenders, resulting in successful community reintegration through accountability and positive change.<sup>2</sup>*

The Department of Corrections is responsible for all adult offenders serving sentences of two or more years. As of June 25, 2013, it operated 26 correctional institutions, 1 motivational boot camp, 1 training academy, and 14 community pre-release centers throughout the Commonwealth of Pennsylvania. In addition to the 14 community pre-release centers, the Department of Corrections also had oversight of nearly 40 contracted facilities, all part of the community corrections program.<sup>3</sup>

**State Correctional Institution at Dallas**

The State Correctional Institution at Dallas, which we refer to as SCI Dallas or the institution in this report, is a security level 3 facility<sup>4</sup> for adult male offenders. It is located in Jackson Township, Luzerne County.

SCI Dallas is situated on 1,307 acres of land with 26 acres inside a secure perimeter. Twelve general population units, one special needs unit, three therapeutic communities, one dormitory-style housing unit, and one restricted housing unit provide housing for the inmates.

<sup>1</sup> 71 P.S. § 310.1.

<sup>2</sup> [http://www.portal.state.pa.us/portal/server.pt/community/about\\_us/20857](http://www.portal.state.pa.us/portal/server.pt/community/about_us/20857), accessed June 25, 2013.

<sup>3</sup> Ibid.

<sup>4</sup> The Department of Corrections classifies the security level on a scale from 1 (community) to 5 (maximum). As a security level 3 facility, the SCI Dallas population is designated as “medium” security level.

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The table below presents unaudited SCI Dallas operating statistics compiled from Department of Corrections' reports for the fiscal years ended June 30, 2010, through June 30, 2012.

	<b>SCI Dallas Operating Statistics for Fiscal Years Ending June 30,</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Operating expenditures <sup>5</sup>	\$70,498,892	\$73,112,652	\$72,526,242
Inmate population at year end	2,139	2,107	2,101
Inmate capacity at year end	1,750	1,750	1,941
Percentage of capacity at year end	122.2%	120.4%	108.2%
Average monthly inmate population	2,132	2,115	2,092
Average cost per inmate <sup>6</sup>	\$33,067	\$34,569	\$34,668

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<sup>5</sup> Operating expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation expense. In addition, regional level and indirect charges were not allocated to the totals reported here.

<sup>6</sup> Average cost per inmate was calculated by dividing total operating expenditures by the average monthly inmate population

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**Objectives,  
Scope, and  
Methodology**

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 performance audit of SCI Dallas had two objectives, each related to contract monitoring. The specific audit objectives were as follows:

- One: To determine if SCI Dallas maintained effective controls over the monitoring of contracted medical services.  
(Finding 1)
- Two: To determine if SCI Dallas maintained effective controls over the monitoring of contracted pharmacy services.  
(Finding 2)

The scope of the audit was from July 1, 2009, through June 30, 2012, unless indicated otherwise.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, procedures, and agreements of the Commonwealth of Pennsylvania, the Department of Corrections, and SCI Dallas and we interviewed various facility management and staff. The audit results section of this report contains more details on the specific inquiries, observations, tests, and analyses for each audit objective.

We also performed inquiries, observations, and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed Inmate General Welfare Fund activities, monitoring of radio repair services, SCI Dallas's fire safety program, and warehouse operations.

SCI Dallas management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that SCI Dallas is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of SCI Dallas's internal controls, including any information systems controls, as they relate to those requirements and that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly

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designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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**Audit Results**

The audit results are organized into two sections. Each section is organized as follows:

- Statement of the objective
- Relevant laws, policies and agreements
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit
- Methodologies used to gather sufficient and appropriate evidence to meet the objective
- Finding(s)



**State Correctional Institution at Dallas  
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**Audit Results  
for  
Objective  
One**

**The objective**

Objective one of our performance audit was to determine if SCI Dallas maintained effective controls over the monitoring of contracted medical services.

*Contract for  
Medical Services*

**Relevant law, contracts, policies, and procedures**

State correctional institutions must provide basic necessities to inmates incarcerated in their facilities. Among these basic necessities is health care. The Department of Corrections policy outlines the medical services, such as physical examinations and specialty services that must be provided to every inmate.<sup>7</sup>

The Department of Corrections entered into a contract with a medical contractor<sup>8</sup> to provide medical services to inmates under a department-wide contract effective from September 1, 2003, and renewed through December 31, 2012.<sup>9</sup> During our audit period SCI Dallas paid approximately \$9.42 million for these contracted medical services.

This contract specified the allowable services as well as the number of hours of services that the contractor will provide. The agreement also specified that the contractor will participate in committee meetings with Department of Corrections' staff.

The Department of Corrections also established policy and procedures that designate each institution's corrections health care administrator (administrator) with the responsibility to ensure that the medical contractor complies with the terms of the contract.<sup>10</sup> Department procedures state the following:

<sup>7</sup> Department of Corrections, Policy and Procedures Manual Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Within the procedures manual, section 1 addresses the inmate health care plan and section 3 addresses physical examinations.

<sup>8</sup> Contract #4000005143 between the Commonwealth of Pennsylvania and Prison Health Services, Inc., which effectuated a legal name change to Corizon Health, Inc., effective November 15, 2011.

<sup>9</sup> On November 15, 2011, the Department notified the provider (Corizon Health, Inc.) that it was terminating the agreement effective December 31, 2012. The new contract for medical services, Contract #4400010454 between the Commonwealth of Pennsylvania and Wexford Health Sources, Inc., became effective January 1, 2013, and runs through December 31, 2017. Please refer to

<http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400010454\ContractFile.pdf>

<sup>10</sup> Department of Corrections, Policy and Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring.

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*The corrections health care administrator shall be responsible for ensuring that the contracted health care provider complies with the contract and verify and approve the hours of service submitted as stipulated in the contract.*<sup>11</sup>

In addition, the Department of Corrections' procedures<sup>12</sup> required the contracted medical provider to participate in quality improvement programs at each facility.

We audited the SCI Dallas's controls related to proper receipt and payment of services provided by the medical services contractor.

**Scope and methodologies to meet our objective**

To satisfy this objective, we performed the following:

We reviewed the contract between the Department of Corrections and the medical contractor. We focused our review on the sections related to the types of medical services, number of hours of service, and committee participation that the contractor was to provide.

We also reviewed Department of Corrections' policies and procedures related to medical services that must be provided to inmates, such as physical exams and specialty services; medical contract monitoring; and the contractor's participation in a quality improvement program.

We interviewed SCI Dallas's corrections health care administrator, who was responsible for medical contract monitoring and for ensuring inmates received the required health care services; corrections superintendent's assistant, who was responsible for processing inmate grievances relating to medical services; and one registered nurse supervisor.

Further, we reviewed six of the 36 monthly staffing reconciliations<sup>13</sup> over our audit period, July 1, 2009, through June 30, 2012.<sup>14</sup> From each of the

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<sup>11</sup> Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Within section 3, section A addresses general contract performance and section B addresses hours of service.

<sup>12</sup> Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

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six monthly staffing reconciliations, we selected three contracted employees and traced hours recorded on the reconciliations to the hours recorded on the employee's time records.

Specifically, we verified the accuracy of the hours of service listed on the staffing reconciliations by obtaining documentation of the contracted employee's entry and exit at the secured perimeter of the institution and at the institution's medical department. We used documentation such as time cards<sup>15</sup> and biometric sheets<sup>16</sup> to confirm that the contracted medical employees were physically present at SCI Dallas and that the contracted employees worked the number of hours recorded on the contractor's invoices.

We reviewed copies of the combined Medical Audit Committee (MAC)/Quality Improvement (QI) meeting minutes for the time period July 1, 2011, through March 31, 2013.

We then verified that management from the medical services contractor participated in meetings with SCI Dallas management as required in both the contract and DOC procedures.<sup>17</sup>

We reviewed a list of the medical grievances filed by SCI Dallas inmates during the period July 1, 2011, to March 31, 2013. From the list, we examined 21 upheld<sup>18</sup> grievances in order to identify any significant concerns related to the medical services provided to SCI Dallas's inmates.

Finally, we reviewed the most recent executive summary and corrective action plan from the Department of Corrections' Bureau of Health Care Services' annual management review audit of SCI Dallas's medical department that was conducted in October 2012. In addition, we reviewed the plan of action report that was updated to reflect the Bureau of Health Care Services' findings during a follow-up audit conducted in May 2013.

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<sup>13</sup> Staffing reconciliations are prepared by the contractor and then reviewed and approved SCI Dallas's corrections health care administrator. The administrator compares invoice charges for hours billed by the contractor with time records of contracted employees maintained by SCI Dallas

<sup>14</sup> Staffing reconciliations are documents prepared by the contractor that summarize the total hours each contracted medical employee worked during the month and are utilized for billing purposes.

<sup>15</sup> Prison Health Services/Corizon Health, Inc. employees were required to insert time cards into a mechanical timepiece, known as a time clock, to track evidence of their entry and exit out of SCI Dallas's medical department.

<sup>16</sup> SCI Dallas uses a security system that captures evidence of each person's entry and exit at the secured perimeter of the institution using "biometrics," which identifies humans by a characteristic or trait such as a thumb print.

<sup>17</sup> Department of Corrections, Procedures Manual Number 13.1.1, *Management and Administration of Health Care*, effective July 17, 2004. Within the procedures manual, section 3 addresses medical contract monitoring. Section 3 refers to Attachment 3-A: Medical Contract Compliance Manual.

<sup>18</sup> Upheld grievances are grievances found to be legitimate.

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**Finding 1                    SCI Dallas effectively monitored contracted medical services.**

The audit found that SCI Dallas effectively monitored services received under the medical contract.

We found that SCI Dallas had procedures in place to monitor the medical services received by the inmates and also ensure that billings from the contractor were accurate.

We found that SCI Dallas's corrections health care administrator (administrator) monitored the medical contract. The administrator verified the accuracy of the hours of service provided by the contracted employees by ensuring the hours recorded on the monthly staffing reconciliations, which were prepared by the contractor, matched the hours worked on the time cards and biometrics sheets<sup>19</sup> provided by SCI Dallas.

The administrator signed the staffing reconciliations to show approval and forwarded the documents back to the contractor for payment processing.

Furthermore, based on our review of biometrics sheets, we found that for the contracted employees tested, the hours recorded on the biometrics sheets matched the hours recorded on the staffing reconciliations. In addition, we found that the days and times recorded on the biometrics sheets agreed with the times recorded on the contracted employees' time cards, which list the days and times the contracted employees clocked in and out of SCI Dallas's medical department.

Also, in order to further monitor the services provided by the medical contractor, SCI Dallas's medical department staff tracked inmates' physical examinations and specialty service consults, which were required by DOC policy. SCI Dallas uses a computer system application known as the Ptrax system for tracking the services provided to inmates. The health care administrator demonstrated how he tracks the services provided by the contractor using the Ptrax system by running a consult tracking log.

In accordance with the contract and Department of Corrections' procedures, we found that members of the contractor's staff met with SCI

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<sup>19</sup> A control in place at SCI Dallas is the security measure that all persons, including the contracted medical employees, must undergo in order to enter and exit the secured perimeter of the institution. The biometric security system at SCI Dallas captures evidence of each person's entry and exit at the secured perimeter of the institution in the form of biometrics sheets.

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Dallas's corrections health care administrator, along with other SCI Dallas management, such as the superintendent and registered nurse supervisors, during Medical Audit Committee (MAC)/Quality Improvement (QI) meetings in order to discuss the operations of the facility's medical department and any problems and/or issues related to the medical services provided by the contractor's staff.

Our review of the 21 upheld medical grievances found no significant issues that affected the medical services provided to SCI Dallas's inmates. The grievances we reviewed included but were not limited to, inmate co-pays, eye glasses ordered but not yet received, and delays in receiving medications. In all cases, the inmates' grievances were reviewed and responded to appropriately by SCI Dallas.

Finally, we confirmed that the Department of Corrections' Bureau of Health Care Services conducted an annual management review audit of SCI Dallas's medical department. The audit is conducted to determine whether contracted medical staff and Department medical staff were following medical standards established by the Department of Corrections. This annual audit provides the institution's corrections health care administrator with an additional tool to monitor contracted medical services being provided.

Our review of the executive summary prepared by staff from the Bureau of Health Care Services after the conclusion of their annual audit of SCI Dallas in October 2012 found that there were areas of deficiencies related to the medical record keeping by contracted medical staff. The Bureau of Health Care Services found that contracted staff did not accurately input all specialty service consultations into a database.

Through an interview with SCI Dallas's corrections health care administrator, and our review of SCI Dallas's plan of action report, and the Bureau of Health Care Services' Progress Report that was conducted 6 months after the audit, we determined that the deficiencies were addressed with contracted staff and were subsequently resolved.

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**Audit Results  
for  
Objective  
Two**

**The objective**

Objective two of our performance audit was to determine if SCI Dallas maintained effective controls over the monitoring of contracted pharmacy services.

*Contract for  
Pharmacy Services*

**Relevant law, policies, and contract**

The Department of Corrections has issued a policy statement to ensure all inmates have access to health care including pharmaceutical services.<sup>20</sup> Because the state's correctional institutions do not have pharmacies and pharmacists on-site, pharmaceutical services must be provided through a contracted vendor.

Under the authority of the Commonwealth Procurement Code,<sup>21</sup> the Department of General Services (DGS) issued the *Procurement Handbook*, which provides the policies, procedures, and guidelines for state agencies to use when procuring supplies, services, and construction off of statewide contracts.

DGS entered into a contract with a pharmaceutical company to provide prescribed and non-prescribed medications and related services at all of the state's correctional institutions.<sup>22</sup> The contract is effective from June 15, 2010, through July 31, 2015.

SCI Dallas paid \$5,348,971 to the contracted pharmaceutical vendor during the audit period. According to a report prepared by the contractor, this expense included the purchase of 145,609 prescriptions. The contract specifies that each institution is charged the actual acquisition cost for each medication plus a service fee that varies depending on the medication category. The medication categories include, patient specific medications, patient specific intravenous compounds, and over the counter products. For patient specific medications, the institution is charged the actual cost of the medication plus a service fee per prescription.

<sup>20</sup> Department of Corrections, Policy Number 13.2.1, *Access to Health Care*, effective June 28, 2004. Within the policy document, section 12 addresses pharmacy guidelines.

<sup>21</sup> 62 Pa.C.S. § 101 *et seq.* Hereafter, we refer to this law as the Procurement Code.

<sup>22</sup> Contract #4400007074 between the Commonwealth of Pennsylvania and Diamond Drugs, Inc. Please refer to <http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400007074\ContractFile.pdf>, accessed on March 18, 2013.

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There were also 7,519 prescriptions returned to the contractor by SCI Dallas for total credit of \$205,424.

We focused our review on the pharmaceutical services received at SCI Dallas and whether SCI Dallas monitored these contracted services in accordance with Chapter 54 of the Commonwealth's Procurement Handbook which states the following:

*Monitoring and control are essential to ensure the contractor uses and manages its resources in a manner that will provide the agency exactly what it has contracted for in terms of quality, timeliness, and economy of cost.<sup>23</sup>*

Specifically, we audited the SCI Dallas's controls related to proper receipt and payment of medications provided by the contractor.<sup>24</sup>

**Scope and methodologies to meet our objective**

To satisfy this objective, we performed the following:

We reviewed the Department of Corrections' statewide contract for pharmaceutical services.

We interviewed SCI Dallas's corrections health care administrator, who is responsible for monitoring services provided under the pharmacy contract and SCI Dallas's registered nurse supervisors responsible for assisting the health care administrator with monitoring responsibilities.

We selected six monthly contractor invoices received by Dallas during our audit period of July 1, 2009, through June 30, 2012, for a detailed review of charges. The months we selected were as follows: August, November, December of 2011, and February, May, and June of 2012.

Specifically, for each selected month, we obtained the monthly invoices,<sup>25</sup> monthly billing reports,<sup>26</sup> and related packing slips.<sup>27</sup> We then selected six days (one day per month) and reviewed all drug charges.

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<sup>23</sup> Commonwealth Procurement Handbook, Part 1 Chapter 54 titled "Contact Person Responsibilities

<sup>24</sup> Diamond Drugs, Inc.

<sup>25</sup> Monthly invoices are documents received by Dallas from Diamond which listed the total cost Dallas was billed for pharmaceutical drugs during the month.

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We then traced each of those drug charges to the medications recorded on the packing slip to ensure that medications invoiced were received.

We reviewed cost distribution reports<sup>28</sup> prepared by the contractor that showed the total amount of credit for medication returns due to Dallas.<sup>29</sup> We also reconciled the credit amounts recorded on the cost distribution report to the applicable monthly credit statements that showed credits for returns and authorizations.

Lastly, we selected individual credits for returned medications for testing. We obtained the billing reports that showed the original acquisition cost of the medication, we recalculated the acquisition cost for accuracy based on criteria as specified in the contract and we verified the acquisition cost was credited to SCI Dallas.

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**Finding 2**

**SCI Dallas effectively monitored contracted pharmacy services.**

Our audit found that SCI Dallas effectively monitored the services it received under the pharmacy contract.

Our review of six months of invoices and related documents found that the contractor fulfilled the requirements as stipulated in the contract. We found that invoices contained the following information as specified in the contract: prescription number, inmate name, inmate number, quantity dispensed, price of medication, label name, fill date, and provider. In addition, as stipulated in the contract, the contractor ensured quarterly inspections were performed by a registered pharmacist.

We found that all medications were ordered by doctors through the contractor's computerized medication system that also created an automatic acknowledgment of the orders. We also found that the contractor's order confirmation and packing slip delivery process notified

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<sup>26</sup> Monthly billing reports are extensive reports which itemized every drug received per day for each day of the month.

<sup>27</sup> Packing slips are an itemized listing of all medications which are included in the package received by Dallas for each specific day.

<sup>28</sup> A cost distribution report shows the total invoice amount for drugs shipped and the total credit amount due for each correctional institution.

<sup>29</sup> The credit process as specified in the contract is as follows: Credit will be issued on full or partial prescription at 100 percent of actual acquisition cost less a \$1.00 processing fee. Credit will not be issued on medications with a return value of \$2.95 or less.



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the medical staff that medications were to be received. Once received, every medication was scanned into the computerized medication system by Dallas's pharmacy staff.

We also verified that licensed practical nurses, employed by the Department of Corrections, were responsible for ensuring all pharmaceuticals listed on packing slips were actually received. This process ensured the accuracy of monthly billings by the contractor. In addition, we also verified that facility staff reviewed the credits received to ensure that SCI Dallas received the proper credit for all medications returned.

We found that for the six (6) days tested all 1,008 medications listed on the daily invoices matched the medications received as recorded on the packing slips, and that the daily totals for all medications received matched the day's charges on the monthly billing reports. Additionally, we also verified the daily totals per the billing reports matched the total amount charged per the monthly invoices.

We also found that cost distribution reports were accurate and that Dallas received proper credit for medication returns and authorizations.

We also verified that a pharmacist on staff with the contractor also visited Dallas's pharmacy on a quarterly basis and prepared the quarterly inspection reports as specified in the contract.

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**Status of  
Prior Audit**

The prior audit report of SCI Dallas covered the period July 1, 2005, through July 25, 2008, and contained nine findings. However, only four of the findings contained recommendations. A summary of the findings, their accompanying recommendations, and the status of SCI Dallas's implementation of the recommendations are presented below.

**Scope and methodologies of our audit work**

To determine the status of the implementation of the recommendations made during the prior audits, we held discussions and made inquiries with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

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**Prior Finding 1 Significant control weaknesses existed in the maintenance of the Inmate General Welfare Fund. (Resolved)**

During our prior audit of transactions of the Inmate General Welfare Fund (IGWF), we found that SCI Dallas management did not:

- Prepare and submit monthly IGWF financial statements, such as balance sheets and income statements, to the Department of Corrections' comptroller's office for the period July 1, 2007, through June 30, 2008.
- Maintain adequate segregation of duties over the operations of the IGWF.
- Review or approve IGWF bank reconciliations.
- Ensure controls over the cash generated from activities, such as the car wash, barbershop, shoeshine, shoe repair, greenhouse, and welding shop were adequate.
- Ensure that disbursement transactions were supported with necessary documentation, such as purchase invoices or receiving reports.

We recommended that SCI Dallas management should ensure that:

- Receipt and disbursement transactions are posted accurately and timely so financial statements can be generated and forwarded to the Department of Corrections' comptroller's office.

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- Bank reconciliations are prepared monthly and reviewed by someone independent of recording IGWF receipts and disbursements.
- Cash from income generating activities is matched to the deposits and traced to IGWF bank statements. Specifically, someone independent of the cash receipt function should match the composition of issued tickets from each income generating activity to the cash receipts book. Additionally, the cash receipts total should agree to the deposit slip made by the IGWF accountant or assistant. Finally, someone should ensure that the deposit slip corresponds to the cash deposited in the bank. As part of this process, issued tickets should be pre-numbered.
- Proper documentation should be maintained for every IGWF disbursement.

In response to our recommendations, Department of Corrections' management stated on April 2, 2010, that:

- Job responsibilities were realigned within SCI Dallas's business office as of September 2008 to ensure an adequate segregation of duties over the IGWF finances and the accurate and timely reporting of IGWF transactions.
- SCI Dallas's IGWF accountant prepares bank reconciliations and the business manager reviews and approves the bank reconciliations.
- A staff member independent of the cash receipt function reconciles the cash collected from income generating activities daily and the IGWF accountant verifies that the bank deposit slip agrees with the cash receipt ledger. Also, SCI Dallas utilizes pre-numbered tickets to account for sales.
- Supporting documentation for IGWF transactions is filed by report month and stored for five years.

**Status as of this audit.** Through interviews, observations, and review of IGWF records, we found the following:

- The IGWF accountant's performance standards were re-written to include the responsibility for the accountant to reconcile monthly

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bank statements within five working days of receipt and prepare a monthly balance sheet and income statement for all IGWF activities in order to forward the reports to the Department of Corrections' comptroller's office by the tenth working day of each month.

- The business manager reviews and approves the monthly bank reconciliations and financial reports and then submits the documents to the Department of Corrections' comptroller's office each month.
- The financial reports and bank reconciliations were properly completed and submitted to the Department of Corrections' comptroller's office for the months ended June 30, 2010; 2011; and 2012.
- IGWF staff members at Dallas are involved in the activities of the IGWF in order to ensure an adequate segregation of duties.
- The operator key to the check signature machine was locked in the business office safe and the only employees at SCI Dallas with access to the safe include the business manager, IGWF accountant, and budget analyst.
- The accountant matches payments made to vendors with the purchase orders, receiving reports, and purchase invoices in order to ensure all disbursements are supported by the necessary documentation.
- Five disbursements made during June 2012 were supported by an approved purchase requisition accompanied with adequate justification for each transaction; a purchase order; and a receiving report. In addition, the amount of each disbursement matched the amount listed on each purchase invoice.

Finally, we found that SCI Dallas implemented controls over income generating activities. These controls included improved record keeping procedures, the use of pre-numbered tickets for shop sales, and monthly account reconciliations by SCI Dallas's IGWF accountant.

Based upon the actions taken by SCI Dallas, we concluded that SCI Dallas implemented our recommendations.

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**Prior Finding 2 SCI Dallas entered into an uneconomical radio repair service contract. (Resolved)**

During our prior audit we found that for the period July 1, 2006, through June 30, 2008, SCI Dallas management contracted with a vendor to provide repairs for guard base radios and portable radios for \$31,654.

Based on the terms of the two-year contract, the contractor would be paid in equal monthly installments without considering actual services performed. Therefore, during a month where no radios needed repair, the contractor would still receive payment.

During our prior audit, we recommended that SCI Dallas management review the radio repair contract for cost effectiveness by analyzing trends in radio repairs and consider bidding out the contract based on parts and labor for actual radio repairs instead of equal monthly installments. Subsequently, we learned that SCI Dallas management adopted our recommendation and initiated a new radio repair contract as of July 1, 2009. The new contract's payment terms required all contractor repair invoices to provide a detailed breakdown of the repair costs related to parts and labor.

We recommended that SCI Dallas management should take steps to ensure all radios sent for repair are returned according to contract terms.

Department of Corrections management responded that as of August 3, 2009, the Department of General Services included a line item in radio repair contracts that require invoices to breakdown costs for repair based on parts and labor rather than monthly installments. In addition, facility management tracks all radio sent out for repair and will notify the business office of any outstanding issues with the radio repair contractor.

**Status as of this audit.** SCI Dallas management provided us with a copy of the radio repair log maintained for the period January 7, 2011, to February 19, 2013, as required by the Department of Corrections' Facility Security Procedures Manual 6.3.1 Section 27 – Radio Communications.

The radio repair log lists the date the radio was taken off-line; the serial number, unit number, and model of the radio; the date the radio was sent for repair; and the date the radio was placed back into service.

We found through our review of repair invoices that the contractor now separates charges for labor and materials. The facility maintenance

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manager approves the contractor's invoices for payment only after reviewing the radio repair log to verify whether the radios were fixed and returned to the facility.

After review of the repair log and contractor invoices, we concluded that SCI Dallas implemented our recommendation.

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**Prior Finding 4   Improvements are necessary to strengthen the fire safety program. (Partially Resolved)**

In our prior audit we found that fire drills were not conducted for every building throughout the prison and some members of the fire emergency response team, also referred to as FERT, did not receive the required minimum 16 training hours per year.

We recommended that SCI Dallas's safety manager should ensure that fire drills are conducted timely and properly documented using the standard fire drill report form and ensure that all FERT members receive the required training.

The Department of Corrections' management responded that SCI Dallas's safety manager created a spreadsheet to track and document quarterly fire drills. In addition, Department of Corrections' management stated that SCI Dallas planned to send up to six fire emergency response team members to the Lewistown Fire Training Academy during the 2009-10 fiscal year.

**Status as of this audit.** SCI Dallas's safety manager stated that fire drills were completed and he provided us with a copy of the 2012 annual fire drill schedule utilized to ensure all drills were conducted at the facility. Therefore, we found that SCI Dallas implemented our recommendations in this area.

However, SCI Dallas's safety manager also stated that not all FERT members received the 16 hours of fire training during the 2011-12 fiscal year, as required by policy. Five of 34 FERT members did not receive the minimum training hours in 2011-12. The safety manager explained that the training hours were offered, however, some of the members could not attend all of the training sessions due to doctor appointments, vacation days, and/or personal days. Further, the safety manager stated that it is very difficult to conduct a make-up training session for one or two

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members because the drills completed during training sessions require several individuals to run.

The current audit represents the third consecutive audit in which we have found that members of the fire emergency response team did not receive the required fire training.

SCI Dallas management should continue to take steps to ensure all fire emergency response team members receive the mandated training.

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**Prior Finding 5    SCI Dallas did not conduct an annual physical inventory. (Resolved)**

In our prior audit we found that SCI Dallas management did not conduct an annual physical inventory. In addition, discussion with SCI Dallas management revealed that warehouse personnel were responsible for performing inventory spot checks, resulting in an inadequate segregation of duties over the warehouse inventory.

We recommended that the warehouse staff, with the assistance of the business office, should conduct an annual inventory. In addition, employees independent of the warehouse should conduct periodic spot checks.

Department of Corrections' management responded that SCI Dallas warehouse staff, with assistance from business office staff, conducted an inventory of the warehouse in March 2009 and plans to conduct an inventory each March. In addition, business office staff completes monthly spot checks.

**Status as of this audit.** SCI Dallas management ensured that annual physical inventories were completed, with the assistance of business office staff. SCI Dallas provided us with a copy of the annual inventory completed on March 8, 2012.

In addition, we found that SCI Dallas management required that the business office's budget analyst, instead of warehouse staff, conduct monthly spot checks of the warehouse inventory. We also verified that during the monthly spot checks, the budget analyst counted ten inventory items in order to determine the accuracy of the inventory records. SCI Dallas management provided us with copies of the monthly spot checks conducted by the budget analyst during December 2011 and June 2012.

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Finally, SCI Dallas management confirmed that approval must be granted by the business manager's office before any adjustments are made to the warehouse inventory records. SCI Dallas's business manager provided us with documentation supporting staff adherence to this procedure.

As a result of the actions taken by SCI Dallas, we concluded that SCI Dallas implemented our recommendation and this finding has been resolved.



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