

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

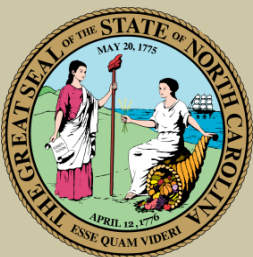
BETH A. WOOD, CPA



DEPARTMENT OF PUBLIC SAFETY HARNETT CORRECTIONAL INSTITUTION

LILLINGTON, NORTH CAROLINA

INVESTIGATIVE REPORT
OCTOBER 2018



NC OSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor received an allegation through its Hotline concerning Harnett Correctional Institution's (Institution) misuse of funds.

BACKGROUND

The overall mission of the Department of Public Safety (Department) is to improve the quality of life for North Carolinians by reducing crime and enhancing public safety.

The Institution in Lillington is a medium security prison for 988 adult males. The 30 acre prison compound sits on a 198 acre site. The Institution has eight housing units divided into 29 separate dormitories. The prison also has a dining hall, recreation building, education building, two vocational buildings, a chapel, six modular buildings, and a medical building for dental and nursing staff.¹

KEY FINDING

Over \$10,000 of assets not properly accounted for to prevent loss or theft.

KEY RECOMMENDATION

The Institution should enforce the Fixed Assets Policy to ensure accountability of its assets valued less than \$1,000 occurs, including microwaves and televisions.

¹ www.ncdps.gov

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Erik Hooks, Secretary, North Carolina Department of Public Safety

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c) (16)*, we have completed an investigation of an allegation concerning the North Carolina Department of Public Safety. The results of our investigation, along with the recommendation for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with *G.S. §147-64.6(c) (12)*. We appreciate the cooperation received from the management and employees of the Department of Public Safety during our investigation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

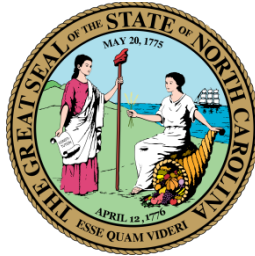


Beth A. Wood, CPA
State Auditor

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Article 5A, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



BACKGROUND

The Office of the State Auditor initiated an investigation in response to a Hotline allegation that Harnett Correctional Institution (Institution) misused funds.

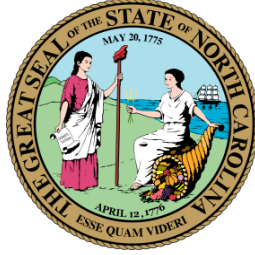
Our investigation of this allegation included the following procedures:

- Review of the Department of Public Safety's (Department) Fixed Assets and Central Welfare Fund policies
- Examination and analysis of available documentation related to purchases made from Central Welfare Funds
- Interviews with personnel from the Department and Institution
- Inspection of assets at the Institution

This report presents the results of the investigation. The investigation was conducted pursuant to *North Carolina General Statute § 147-64.6 (c) (16)*.

The overall mission of the Department is to improve the quality of life for North Carolinians by reducing crime and enhancing public safety.

The Institution in Lillington is a medium security prison for 988 adult males. The 30 acre prison compound sits on a 198 acre site. The Institution has eight housing units divided into 29 separate dormitories. The prison also has a dining hall, recreation building, education building, two vocational buildings, a chapel, six modular buildings, and a medical building for dental and nursing staff.



FINDING AND RECOMMENDATION

OVER \$10,000 OF ASSETS NOT PROPERLY ACCOUNTED FOR TO PREVENT LOSS OR THEFT

Harnett Correctional Institution (Institution) did not provide reasonable care, security, and accountability for \$10,069² worth of microwaves and televisions to prevent loss or theft. Although the Institution was aware of the Department of Public Safety's (Department) Fixed Assets Policy, it failed to provide oversight and enforce this policy.

Assets Not Properly Accounted For

Between January 2015 and December 2017, the Institution purchased and received 105 microwaves and 50 televisions for inmates' use in 28 dayrooms. Prior to January 2015, each dayroom had one microwave and one television. During 2017, the Institution installed a second television in each dayroom.

However, the Institution did not properly account for the assets after it received them. According to the Institution's Accounting Technician, the Recreation Program Supervisor signs the shipping order forms to document receipt of the microwaves and televisions at the Institution. The accounting office maintains the signed shipping order form with the purchase order form and vendor invoice. According to the Recreation Program Supervisor, these assets were then secured in a storage area. But no additional steps, such as annual inventory counts and comparison inventory records, were taken to account for these assets.

Additionally, the Institution did not have a process in place to properly account for the disposal of these assets. According to the Maintenance Supervisor, once a microwave or television breaks, that item is transported from the dayroom to the maintenance shop. If it cannot be repaired, it is taken to the local landfill for disposal. The Institution did not require documented authorization to dispose of assets or any documentation of what was disposed of and when.

According to management, there was a lack of communication between the Institution's management and the maintenance shop. When assets could not be located by investigators, Institution staff presumed they were removed from dayrooms and disposed of. Although the Maintenance Supervisor does not include assets valued below \$1,000 on a disposal list, the Administrative Services Manager assumed that the microwaves and televisions were on disposal lists that had been submitted to her for approval. According to the Maintenance Supervisor, assets were transported to the landfill for disposal without notifying the Administrative Services Manager or the accounting office.

After investigators observed assets in dayrooms, and inspected storage areas and the maintenance shop, the Institution could not account for 74 microwaves valued at \$6,966 and 16 televisions valued at \$3,103.

² The \$10,069 was derived from commissions received through a telephone contract and profits from canteen operations, test kitchen operations, and the small tool program. These funds are designated for expenditures that directly benefit the inmates.

Assets Purchased	Quantity Purchased	Quantity Unaccounted	Value
Microwaves	105	74	\$ 6,966
Televisions	50	16	\$ 3,103
Total	155	90	\$10,069

Resulted in Increased Risk of Loss or Theft

Because the Institution failed to properly account for the microwaves and televisions, there was an increased risk that these assets could be lost or removed from the Institution without detection.

For example, once a microwave or television is transported from the dayroom to the maintenance shop for repair, a maintenance shop employee could place the microwave or television in the maintenance yard with other items to be disposed of at the local landfill. The employee could then remove the microwave or television from the Institution while transporting other disposed items to the local landfill without raising any concerns with Institution security.

Caused by Lack of Management Oversight and Accountability of Department Policy

Although the Institution was aware of the Department's Fixed Assets Policy requiring it to properly account for assets valued below \$1,000, it failed to provide oversight and enforce this policy.

Department's Policy Required Proper Accountability

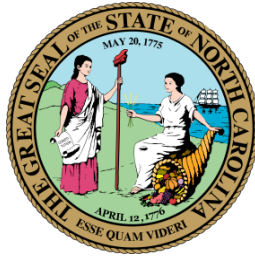
The Department's Fixed Assets Policy required that "items valued below \$1,000...still receive reasonable care, security and accountability," and such policy specified a database as an example of a method of control.

Additionally, best practices identified by the Government Accountability Office include the following:

- Periodically counting assets such as supplies, inventories and equipment, and comparing to control records
- Physically securing and controlling access to assets that are particularly vulnerable to loss or theft

RECOMMENDATION

The Institution should enforce the Fixed Assets Policy to ensure accountability of its assets valued less than \$1,000 occurs, including microwaves and televisions.



RESPONSE FROM THE DEPARTMENT OF PUBLIC SAFETY



North Carolina Department of Public Safety
Prevent. Protect. Prepare.

Roy Cooper, Governor

Erik A. Hooks, Secretary

October 10, 2018

The Honorable Beth A. Wood, CPA
State Auditor
North Carolina Office of the State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27600-0600

Re: Report of investigation dated September 2018 pertaining to the Harnett Correctional Institution

Dear Auditor Wood:

I am in receipt of your investigative report dated September 2018 regarding the Harnett Correctional Institution. The report states that your office initiated an investigation in response to a Hotline allegation that Harnett Correctional Institution misused funds. The Division of Prisons accepts the finding from your report and has already begun to put your recommendation into practice. Attached you will find our response and the corrective action plan outlining the improved internal controls we have implemented.

Thank you for the opportunity to respond to this report, as well as the courtesy and professionalism with which your staff conducted this investigation.

Sincerely,

Erik A. Hooks
Secretary

cc: Reuben Young, Interim Chief Deputy Secretary
Kenneth Lassiter, Director of Prisons

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Finding

Harnett Correction Institution (HCI) did not provide reasonable care, security, and accountability for \$10,069 worth of microwaves and televisions to prevent loss or theft. Although HCI was aware of the Department of Public Safety's Fixed Assets Policy, it failed to provide oversight and enforce this policy.

Response

The Department of Public Safety (DPS) acknowledges that between January 2015 and December 2017, HCI, a facility within Prisons, purchased microwaves and televisions utilizing their Inmate Welfare Fund and further that HCI did not properly account for the final disposition of those purchases.

As noted in the report, the welfare funds derive from commissions received through telephone use by offenders and canteen and test kitchen operations. Those funds are utilized to purchase items to benefit the offenders such as televisions and microwaves. Based on the audit findings, the average costs were approximately \$94.14 for the microwaves and \$193.94 for the televisions.

DPS Fixed Asset Policy defines "Inventoried Assets" as those assets valued at \$1000 to \$4999 and mandates tracking and management of all individual items with a value greater than \$1,000. The policy requires items valued below \$1000.00 receive "reasonable care, security, and accountability". As noted above, the individual value of the televisions and microwaves did not meet the \$1000 threshold.

Prisons recognizes their duty and obligation to manage and safeguard all items and assets regardless of the funding source used to make the purchase, the value of the item purchased, or the end user of the item. Televisions and microwaves purchased for offender use are regularly subject to extremely rough treatment by offenders, causing damage and destruction. These items are therefore subject to constant repair and replacement. HCI facility staff confirmed that when an item of this type had been damaged beyond repair, it was taken to the local landfill for disposal, with no record kept of the disposal.

Although these assets did not qualify as Inventoried Assets, HCI should have had a process in place for proper disposal. As noted in the investigation, HCI staff signed the shipping receipt/packing slip (as required by DPS Accounts Payable Policy) to verify or account for the items as received at the institution and the items were secured in a storage room. The facility staff should have been documentation regarding the final disposition of those items.

Recommendation

HCI should enforce the Fixed Assets Policy to ensure accountability of its assets valued less than \$1,000 occurs, including microwaves and televisions.

Response

Although the daily movement and tracking of these items is not required by DPS policy, the Department has clarified for management staff at all facilities that the Fixed Asset Policy applies to all physical assets, not just those over \$1,000 or those purchased with General Fund appropriations.

On September 20, 2018, Prisons management sent out correspondence to remind division, region and prisons managers of the importance of regularly reviewing the DPS Fixed Asset Policy and ensuring that staff tasked with managing assets at their facilities are also regularly reviewing and ensuring this policy is enforced. This reminder also specifically referenced accountability and control of assets and other items valued above and below \$1,000 that may be most susceptible to loss, misuse or even theft. The departmental Controller's Office has been tasked with reviewing the policy to confirm that it is fully compliant with the overall state Fixed Assets policy and to determine if further clarifications are necessary given the unique prison environment.

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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For additional information contact:
Brad Young
Director of External Affairs
919-807-7513



This investigation required 350 hours at an approximate cost of \$36,050.