



OKLAHOMA DEPARTMENT OF CORRECTIONS

Operational Audit

For the period July 1, 2021 through December 31, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Department of Corrections**

**For the Period
July 1, 2021 through December 31, 2022**



April 11, 2024

TO THE OKLAHOMA DEPARTMENT OF CORRECTIONS

We present the audit report of the Oklahoma Department of Corrections for the period July 1, 2021 through December 31, 2022. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

Background

The core mission of the Oklahoma Department of Corrections (DOC or the Agency) is to protect the public, promote a safe working environment for staff, and encourage positive change in offender behavior by providing rehabilitation programs to enable successful reentry.

The Board of Corrections consists of five members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, and two members appointed by the Speaker of the House of Representatives.

Board members as of February 2024 are:

T. Hastings Siegfried	Member
Daryl Woodward	Member
Randy Chandler	Member
Stephan Moore	Member
Erick Harris.....	Member
Rhonda Bear	Member
Joseph Brantley.....	Member
Daniel Snead	Member
Alex Gerszewski.....	Member

Oklahoma Department of Corrections
Operational Audit

The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022). While FY 2021 is not included in our audit period, it is included for comparison purposes.

Sources and Uses of Funds for FY 2021 and FY 2022

	2021	2022
Sources:		
Net Appropriations	\$ 540,192,154	\$ 544,369,432
Non-Revenue Receipts	18,197,147	19,514,464
Sales & Services	8,600,880	6,916,771
Grants, Refunds & Reimbursements	2,442,632	3,345,693
Fines, Forfeits & Penalties	261,328	283,231
Income From Money & Property	144,374	245,012
Licenses, Permits & Fees	16,919	14,328
Total Sources	\$ 569,855,434	\$ 574,688,931
Uses:		
Personnel Services	\$ 295,095,869	\$ 285,940,730
Professional Services	105,835,923	105,411,944
Administrative Expenses	89,042,419	100,083,879
Assistance & Payments to Local Governments	27,503,310	23,121,692
Property, Furniture, Equipment & Related Debt	21,044,698	25,115,553
Transfers & Other Disbursements	12,873,156	11,478,215
Travel Expenses	569,851	847,074
Total Uses	\$ 551,965,226	\$ 551,999,087

Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)

**Scope and
Methodology**

Our audit was conducted in response to 74 O.S. § 212.F, which requires the State Auditor and Inspector to perform an annual audit of the books and accounts of the Department of Corrections, the scope of which is determined by the State Auditor and Inspector using a risk-based approach.

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2021 through December 31, 2022. To assess risk and develop our audit objectives, we held discussions with the Executive Director and management, distributed surveys to the Agency's personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the state accounting system and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing the Agency's HR Actions from the Statewide Accounting System and the Workday System to assess changes that had a financial impact during the audit period. Including reviewing changes to the Agency's organizational and management structures.
- Reviewing inventory listings and discussing the changes that have occurred since our prior audit.
- Reviewing pertinent statutes and regulations and assessing related risks.
- Reviewing the Agency's various funds and their authorizing statutes.

Two objectives relating to Canteen revenues and expenditures were developed as a result of these procedures and are discussed in the body of the report.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

OBJECTIVE I	Determine whether revenues from the Inmate and Employee Welfare and Canteen Support Fund and the Consolidated Inmate Trust, Canteen, and Restitution Fund are credited to the correct accounts in the Offender Banking System and are deposited in line with 57 O.S. §§ 537.1 and 549, 62 O.S. § 34.57, and Government Accountability Office <i>Standards for Internal Control</i> .
--------------------	--

Conclusion	Due to a lack of internal controls in line with GAO <i>Standards for Internal Control</i> , revenues for the Inmate and Employee Welfare and Canteen Support Fund and the Consolidated Inmate Trust, Canteen, and Restitution Fund may not be credited to the correct account in the Offender Banking System or deposited in line with 57 O.S. §§ 537.1 and 549, or 62 O.S. § 34.57.
-------------------	--

Scope and Methodology	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none"> • Documented our understanding of the revenue processes related to Inmate Trust Funds and the Canteens through discussion with management; discussion with personnel from the Lexington Correctional Facility and Joseph Harp Correctional Center; and review of documentation including mail logs, Offender Banking System reports, and deposit and reconciliation documents. • Evaluated those processes and identified and assessed significant internal controls related to our objective.
------------------------------	---

FINDINGS AND RECOMMENDATIONS

Improved Controls Needed Over Revenues Received at Facilities Canteen Finances Not Tracked by Location Deposits Should Be Timely per 62 O.S. § 34.57	<p><i>Inmate Trust Funds</i></p> <p>57 O.S. § 549 creates the Consolidated Inmate Trust, Canteen, and Restitution Fund that allows correctional facilities across the state of Oklahoma to take in revenues for inmate trust funds. These funds come from sources such as family, friends, income tax checks, and work release programs, and can be used by inmates to make purchases at the canteens inside the facilities or to order purchases from outside of the facilities. Revenues received at the facilities are forwarded to the central office, where Inmate Banking staff is responsible for making the deposit at the bank, making the deposit entries in the state accounting system, and applying the funds to the inmates' accounts in the Offender Banking System.</p> <p>According to Agency management, some of the correctional facilities keep a log of revenues received and forward it to central office Inmate Banking staff, who discards it. Some facilities forward copies of the checks along with the original checks, and some do not. If no information</p>
---	--

is received detailing who the check belongs to, the check is sent back to the facility. Inmate Banking staff takes no steps to ensure all payments received by the facility are forwarded to Central Office. They also do not track whether checks returned to the facility for research are received a second time.

In addition, some of the facilities send the revenues to Central Office through interagency mail and others bring the revenues to Central Office whenever they have a meeting, which can mean the revenues are at the facility for weeks before being deposited at the bank. This conflicts with 62 OS § 34.57, which requires receipts of \$100 or more be deposited on the same banking day as received. In addition, inmates may be waiting for these funds to be available.

The Agency does not have formal policies or procedures in place that require the correctional facilities to record and document the revenues coming in or a requirement for the revenues to be sent to Central Office on a particular schedule. Central Office has no way of knowing if they have received all the revenues for inmate trust funds from each facility location. This greatly increases the risk that revenues could be lost or stolen without detection.

Canteen Revenues

Inmates and employees make purchases from the Canteens at the correctional facilities. When employees make payments with cash, facility personnel are responsible for depositing these funds at the bank. The Inmate Banking Division at the central office is responsible for reconciling sales reports from Canteen sales to deposits made to the Bank. Agency management expressed that often the deposits do not reconcile to Canteen sales reports due to counting errors and facility personnel not knowing how to properly prepare a deposit. Agency management expressed that each correctional facility location also has their own processes for depositing Canteen sales revenues. The inconsistency in processes is due to the Agency's lack of policies and procedures.

57 O.S. § 537.1 created the Department of Corrections Inmate and Employee Welfare and Canteen System Support Revolving Fund. We worked with the Inmate Banking Division and the Finance Division at Central Office to attempt to determine the amount of Canteen deposits at each correctional facility. The Agency was unable to provide detailed records for each facility's Canteen deposits due to the way the deposits are coded in the state accounting system. While these revenues are coded by location, the locations are not always accurate and may be used for other purposes. This hinders our ability, as well as the ability of Agency management and Board members, to review Canteen activity by location or identify unusual fluctuations in Canteen deposits.

According to GAO *Standards for Internal Control*:

- Management should establish an organizational structure, assign responsibilities, and delegate authority to achieve the entity's objectives.
- Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Management should use quality information to achieve the entity's objectives.

Recommendation

Management should implement formal procedures and corresponding written policies for the correctional facilities to ensure all payments received are making it to Central Office to be deposited. For example, we recommend a mail log be kept at each facility to document the inmate trust funds received. The log could be reconciled to the funds before they are sent to Central Office. At the end of each day, copies of the mail log along with any other applicable paperwork could be provided to the Trust Fund Officers, to ensure they know what payments to expect from each facility and can address questions regarding payments in a timely manner. We also recommend that Central Office retain the mail logs that are received from the facilities for audit and recordkeeping purposes.

We also recommend management ensure processes are in place to deposit funds received at facilities in compliance with statute 62 OS § 34.57 and credit funds to inmate accounts in a timely fashion.

In addition, to better implement consistent and effective processes and to hold staff accountable for their internal control responsibilities, management should conduct training at each correctional facility related to the above processes.

Management should also ensure that canteen finances are coded correctly by location in accounting records so that trend analysis is possible and reliable information can be provided to the Board and other decision makers as needed.

Views of Responsible Officials

The Agency has electronic systems in place for friends and family to send funds to inmates, outside of a few exceptions, facilities should not be receiving funds directly for inmates. However, we still have outside individuals that mail funds to the inmates at the facilities. When received, every effort is made to ensure those funds are deposited to the correct inmate account.

Going forward, we will strengthen our policies for handling money types received at the facilities. Funds received for inmates at the facility that should otherwise be made through the electronic system will be immediately returned to the sender with a letter explaining the correct method to send funds to inmate. Copies of the envelope, money order,

and any other documentation will be kept at the facility and a copy sent to Central Trust Fund for archiving.

Canteen deposits being made at the facility level are usually small dollar amounts and represent sales to staff at the canteen. A review of the 4,941 deposits made by facilities for the canteen in FY22 revealed 15 coded to the wrong location. The Agency is reviewing options related to sales to staff through the canteen to include eliminating those sales which would almost eliminate these facility deposits altogether.

OBJECTIVE II	Determine whether the expenditures made from the Inmate and Employee Welfare and Canteen Support Fund and the Consolidated Inmate Trust, Canteen, and Restitution Fund are allowable in accordance with 57 O.S. § 537.1 and § 549 and GAO <i>Standards</i> .
---------------------	--

Conclusion	Expenditures from the Consolidated Inmate Trust, Canteen, and Restitution Fund may not be allowable in accordance with 57 O.S. § 549. Significant controls are not designed and implemented in line with GAO <i>Standards</i> to ensure inmate expenditures are allowable or that inmates have access to reliable records of their accounts to confirm their expenditures were authorized.
-------------------	--

However, controls are operating to ensure expenditures from the Inmate and Employee Welfare and Canteen Support Fund comply with statute 57 O.S. § 537.1.

Scope and Methodology	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none">• Documented our understanding of the expenditure processes related to Inmate Trust Funds and the Canteens through discussion with management, discussion with Inmate Banking and Business Services staff, and review of documentation, including disbursement requests, inmate balance reports, and purchasing documents.• Evaluated those expenditure processes and identified and assessed significant internal controls related to our objective.• Discussed the expenditure audit processes performed by SAI's State Agency Audit Division with staff from that division and reviewed testwork that related to expenditures made from the Inmate & Employee Welfare and Canteen System Support Revolving Fund. This testwork had no exceptions and reflected that effective review and approval of expenditures from this fund are occurring.
------------------------------	--

FINDINGS AND RECOMMENDATIONS

**Inmate
Disbursement
Requests Should
Be Consistently
Reviewed**

57 O.S. § 549 charges the State Board of Corrections with “the duty to preserve the wages and funds reserved for the inmate in an account for his or her benefit, and to establish procedures by which the inmate can draw funds from this account under the conditions and limitations and for the purposes allowed by law.” These procedures are detailed further in Agency policy² and allow inmates to make purchases at the canteens located at various correctional facilities across the state and to make approved orders from outside the facility.

**Inmates Need
Regular Access
to Reliable
Account
Information**

Canteen and Outside Inmate Purchases

When an inmate makes a purchase at the canteen, the sale is tracked in the Offender Banking System and the funds are withdrawn from the inmate’s account. When an inmate wishes to make a purchase outside of the facility, the request is made by using a disbursement form which is approved by a case manager as required by department policy. The disbursement form is then processed by trust fund officers at the Central Office and the funds are withdrawn from the inmate’s account. The items purchased are then delivered to the facility and processed by security.

Case managers determine the allowability of purchases inmates make from outside the facility using written guidance such as the Inmate Property policy discussed in footnote 2. However, DOC management does not believe all case managers are ensuring that all such purchases are allowable or that the disbursement forms are being consistently used and thoroughly reviewed. Management also reported that, although not common, there have been instances where dangerous items were purchased and delivered to the facility and then discovered by security in the receiving process.

Inmate Balance Reports

Case managers receive inmate account balance reports from the trust fund officers twice a week. This report lists the inmates current balance in their trust account, which reflects the changes from the recent purchases as well as deposits.

According to management, their goal is to have a ratio of one case manager to every 100 inmates. However, due to personnel turnover, this is often not the case. Inmate Banking Division staff related that not all case managers are providing these reports to the inmates, for various reasons, and the responsibility falls on the inmates to keep track of their own trust fund balances.

² For example, the primary guidance provided by the Agency for inmate purchase allowability was OP-030120 – Inmate Property – and its attachments. This policy details how inmate property is to be handled and includes extensive detail about the property allowed each inmate.

There are no formal processes or procedures in place to ensure that the inmates are provided or have access to their balance reports to confirm the purchases they have made are reflected accurately and their balances are as expected. In addition, the balance reports are provided to case managers in Excel format, and therefore could be easily manipulated. There could be errors or misappropriations of inmate funds without detection under these circumstances.

According to GAO *Standards for Internal Control*:

- Management should establish an organizational structure, assign responsibilities, and delegate authority to achieve the entity's objectives.
- Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Management should use quality information to achieve the entity's objectives.

Recommendation

We recommend management develop formal written policies and procedures and provide training to ensure case managers at each correctional facility properly review all disbursement requests for allowability. This training should include ensuring that case managers are providing inmates with their balance reports in a timely manner. We further recommend the inmate balance reports be provided to case managers in PDF format to discourage editing.

It was reported by management the Agency is in the process of implementing an electronic system for the inmates to be able to access their trust fund accounts on their own terms. We believe this would provide the most independent and reliable account information for inmates and encourage the Agency to continue with this implementation.

Views of Responsible Officials

The Central Trust Fund Office is reviewing the policy related to the inmate trust accounts to ensure they reflect the current operating vision. As stated in the report, DOC is currently working with our inmate banking system vendors to allow inmates direct access to their account information and eventually to have the ability to request disbursements electronically with electronic approvals. As a side note, inmates receive their account balance on their canteen receipt each time they make a purchase from the Canteen.

Disbursement approval, though already set in policy, is for now a paper process. Once received by Central Trust Fund, they do a final review on the disbursements and send them back to the facility if they do not meet policy requirements with explanations of the issue. As an example, in the final three months of FY22, Central Trust Fund processed 7,084

disbursements and only rejected 33 for reasons such as receiver not authorized, missing DOC# or inmate signature, missing addresses, missing approvals, other incorrect or missing information. Each time a disbursement request is sent back, the case manager is contacted to discuss the reasons for the rejection.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov