

## **LBA Financial Audit Report Summary:**

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### **Reporting Entity And Scope**

The reporting entity and scope of this audit and audit report is the financial operations of the Correctional Industries Account and the Vocational Training Account of the New Hampshire Department of Corrections for the fiscal year ended June 30, 2006.

At June 30, 2006, the Correctional Industries Account included the operations of nine shop programs including: plate, print, wood, information technology, sign, engraving, furniture, upholstery, and farm at the State Prison for Men in Concord; three programs including: information technology, wood, and furniture shops at the Northern N.H. Correctional Facility in Berlin; and one program identified as an information technology shop in the State Prison For Women in Goffstown. In addition, that shop performs various other activities, such as assembling and sewing. At June 30, 2006 Correctional Industries operated with 22 full-time employees and one part-time employee funded from the Correctional Industries Account.

At June 30, 2006, the Vocational Training Account included the operations of six shop programs at the State Prison for Men in Concord including: auto body, auto mechanics, building trades, culinary, horticulture and small engines repair. While these Vocational Training programs operated with seven full-time employees, the personnel and other costs related to these employees are not charged to the Vocational Training Account and therefore are not included within the scope of this audit and audit report. Vocational Training Account financial activities consist mainly of the purchase of parts, supplies, and materials used in shop activities. The cost of these parts supplies and materials are marked up 10% to cover incidentals and charged to customers receiving shop services.

The report describes the financial activity of the Correctional Industries Account and the Vocational Training Account, as it existed during the period under audit. Auditee responses were prepared by the Department of Corrections.

### **Organization**

The Department of Corrections was established on July 1, 1983 pursuant to RSA 21-H. The Department of Corrections is charged with maintaining and administering correctional facilities and programs for the benefit and rehabilitation of inmates. In addition, the Department is responsible for the supervision of all individuals placed on probation or released on parole and acts as an advisor to law enforcement agencies and communities in the prevention of crime.

The Department of Corrections is headed by a Commissioner who is appointed by the governor and serves as the Department's chief administrative officer. The Commissioner is responsible for the management of all Department operations, including the administration and enforcement of all laws by which the Department is governed.

The Office of the Commissioner is responsible for the overall administration and operation of the Department. The Office oversees the three Divisions of Administration, Field Services, and Medical and Psychiatric Services. Correctional Industries is an organization within the Division of Administration (also known as Department's business office). The Vocational Training program during fiscal year 2006 was not specifically identified in the Department's organization structure under any of the three divisions.

### **Responsibilities**

The Correctional Industries' mission states, "The mission of Correctional Industries is to provide meaningful job skills and training to incarcerated inmates within the State of New Hampshire. This is accomplished by providing a variety of work programs where inmates have an opportunity to obtain various job and life skills in a hands-on, real world environment."

Per the Department of Corrections' Policy and Procedure Directive 7.02 for the Vocational Training Program, "The primary function of the Vocational Training Program is to provide inmates with a course of study leading to a certificate of competency in a given skill area."

### **Funding**

The financial activity of the Correctional Industries and Vocational Training Accounts are accounted for in the General Fund of the State of New Hampshire.

The following table summarizes the fiscal year 2006 revenues and expenditures in the Correctional Industries Account and the Vocational Training Account.

**Correctional Industries Account And Vocational Training Account  
Summary Of Revenues And Expenditures - General Fund  
For The Fiscal Year Ended June 30, 2006**

Total Revenues	\$ 2,209,449
Total Expenditures	<u>2,632,989</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u><u>\$ (423,540)</u></u>

The auditor's report on the financial statements was qualified with respects to the lack of sufficient evidence to support the year-end inventory balances reported on the Correctional Industries Account and Vocational Training Account balance sheets.

The report includes the auditor's report on internal control over financial reporting and on compliance and other matters and related audit comments. The following is a list of the comments in the report.

<i>Reportable Conditions</i>	<b>Internal</b>	<b>Control</b>	<b>Comments</b>
			<ul style="list-style-type: none"> <li>• Control Environment Should Be Strengthened</li> <li>• Department's Organizational Structure Should Be Formalized</li> <li>• Internal Auditor Findings Should Be Integrated Into Control Structure</li> <li>• Formal Risk Assessment Policies And Procedures Should Be Established</li> <li>• Control Monitoring Efforts Should Be Improved</li> <li>• Formal Fraud Risk Mitigation Efforts Should Be Developed And Implemented</li> <li>• Accounting Policies And Procedures Should Be Established For Correctional Industries And Vocational Training</li> <li>• Control Procedures Should Be Updated For Changes In Responsible Personnel</li> <li>• Controls Should Be Established For Inmate-Developed Computer Programs</li> <li>• Policies And Procedures For Lapsing Profits Should Be Established</li> <li>• Financial Statements Should Be Prepared Timely</li> <li>• Cost Accounting System Should Be Improved</li> <li>• Inmate Pay Policy And Procedure Directive Should Be Clarified For Correctional Industries</li> <li>• Controls Over Inmate Payroll Should Be Improved</li> <li>• Policies And Procedures For The Control And Reporting Of Correctional Industries Materials Inventory Should Be Improved</li> <li>• Efficient Inventory Levels Should Be Established</li> <li>• Controls Over Vocational Training Inventories Should Be Improved</li> <li>• Control Over Receipt Of Ordered Goods Should Be Improved</li> <li>• Controls Over The Initial Receiving Process For Ordered Materials Should Be Improved</li> <li>• Policy Requiring Customer Project And Information Worksheets Should Be Adhered To</li> <li>• Correctional Industries Project Control Procedures Should Be Consistently Applied</li> <li>• Controls Over Pricing Of Correctional Industries Goods And Services Should Be Improved</li> <li>• Controls For Tracking Vocational Training Purchases To Customer Invoices Should Be Employed</li> <li>• Adjustments To Accounts Receivable Should Be Subject To Management Approval Process</li> <li>• State Equipment Control Policies And Procedures Should Be Followed</li> </ul>

**Management Issues Comments**

- Inventory Account Should Be Included In State's Operating Budgets
- Business Plan Should Be Established For Correctional Industries And Vocational Training