

# **LBA Financial Audit Report Summary:**

**New Hampshire Department of Corrections, Financial Audit Report for the Nine Months Ended March 31, 2010**

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## **Reporting Entity And Scope**

The reporting entity of this audit and audit report is the New Hampshire Department of Corrections, including the administratively attached Parole Board, and excluding the Department's trust funds, agency funds, and Correctional Industries and Vocational Training Accounts. The scope of this audit and audit report includes the financial activity of the Department of Corrections reporting entity described above for the nine months ended March 31, 2010. Unless otherwise indicated, reference to the Department or auditee refers to the Department of Corrections.

## **Organization**

The Department of Corrections (Department) was established on July 1, 1983 pursuant to RSA 21-H. The Department 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 four Divisions of: Administration, Field Services, Medical and Psychiatric Services, and Community Corrections.

The Department manages three State prisons (New Hampshire State Prison for Men - Concord, New Hampshire State Prison for Women - Goffstown, and Northern New Hampshire Correctional Facility - Berlin), three transitional housing units (Calumet House, North End House, and Shea Farm), and eleven district Probation/Parole offices. All of the Department's facilities are fully accredited by the American Correctional Association. As of March 31, 2010, the Department was staffed with 11 unclassified employees, 862 full-time classified employees, and 18 part-time employees.

### *Adult Parole Board*

RSA 651-A:3 established the Adult Parole Board (Board), consisting of seven members appointed by the Governor and approved by the Executive Council. The Board is responsible for paroling prisoners from State prisons and is legal custodian of all parolees until they are discharged or recommitted. RSA 651-A:24 administratively attaches the Board to the Department of Corrections. The Department is to provide budgeting, recordkeeping, and related

clerical assistance to the Board. The Board operates independently of the Department and reports directly to the Governor.

## **Responsibilities**

Pursuant to RSA 21-H:3 the Department is responsible for providing for, maintaining and administering State correctional facilities and programs for the custody, safekeeping, control, correctional treatment 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 and delinquency.

The Department's stated mission is "to provide a safe, secure, and humane correctional system through effective supervision and appropriate treatment of offenders, and a continuum of services that promote successful re-entry into society for the safety of our citizens and in support of crime victims."

## **Funding**

The financial activity of the Department is accounted for in the General Fund and Capital Projects Fund of the State of New Hampshire. A summary of revenues and expenditures for the General Fund and Capital Projects Fund for the nine months ended March 31, 2010 is shown in the following schedule.

### **Summary Of Revenues And Expenditures For The Nine Months Ended March 31, 2010**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Total Revenues	\$ 1,951,649	\$ -0-	\$ 1,951,649
Total Expenditures	<u>72,537,873</u>	<u>1,757,866</u>	<u>74,295,739</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b><u>\$ (70,586,224)</u></b>	<b><u>\$ (1,757,866)</u></b>	<b><u>\$ (72,344,090)</u></b>

The auditor's report on the Department of Correction's financial statement was qualified, as the financial statement does not constitute a complete financial presentation of the Department in the General Fund.

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

### ***Internal Control Comments***

### *Significant Deficiencies*

Payroll And Employee Arrangements (Comments in this section deemed collectively to be a material weakness over payroll.)

- Payroll Process Should Be More Efficient And Controlled
- Payroll Controls Should Be Made More Effective
- Variations In Employee Workdays Should Be Subject To Approved Agreements
- Telework Agreements Should Be In Place

Correctional Information System (Comments in this section deemed collectively to be a material weakness over information and communication.)

- Policies And Procedures For Correctional Information System Account Maintenance Should Be Established
- Change And User Access Controls In The Correctional Information System Should Be Strengthened
- The Correctional Information System Should Be Updated Timely
- Reporting From The Correctional Information System Should Be Improved
- Controls Over Offender Information In The Correctional Information System Should Be Improved

### Revenue

- Revenues And Other Receipts Should Be Regularly Reconciled To State Accounting System
- Policies And Procedures Should Be Established For Unclaimed And Refused Restitution Maintenance
- Financial Controls At Transitional Housing Units Should Be Improved
- Revenue Controls At The Financial Services Office And Division of Field Services Collections Unit Should Be Strengthened
- Controls Over Annulment Investigation Fees And Interstate Compact Fees Should Be Improved
- Coordination Of Offender Information With The Courts Should Be Improved

### Other Control Topics

- Fraud Policies Should Be Established
- Disaster Recovery And Business Continuity Plans Should Be Established
- Equipment Inventory Should Be Performed Annually
- Agreements With Counties Should Be In Place For Housing Inmates
- Perpetual Inventory System Should Be Established For Pharmaceutical Drug Inventory
- Expenditures Should Be Charged To Correct Accounting Units
- Controls Over Contracted Financing Agreements Should Be Established
- Pharmaceutical Drug Contract Payment Options Should Be Reviewed
- Controls To Recognize And Report Accounts Payable Should Be Improved
- Timely Payment Discounts Should Be Taken

### *State Compliance Comments*

- Receipts Should Be Provided To Payers
- Clarification Of Statutory Allocation Of Offender Payments Should Be Requested
- Supervision Fees Should Be Established By Courts And Parole Board
- Rules Should Be Established For All Fees
- Information Technology Plan Should Be Prepared
- Compliance With RSA 15-A:4 Should Be Improved
- Capital Project Status Reporting Should Be Reviewed