



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

Department of Corrections

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

December 23, 2008

Dora B. Schriro, Director
State of Arizona
Department of Corrections
1601 West Jefferson Street
Phoenix, AZ 85007

Dear Ms. Schriro:

In planning and conducting our audit of the State of Arizona for the year ended June 30, 2008, we considered the Department's internal controls over financial reporting and tested its compliance with laws and regulations that could have a direct and material effect on the State's financial statements as required by *Government Auditing Standards*.

Specifically, we performed tests of receipts, transfers, payroll, purchasing, and equipment. We also performed limited tests of expenditures made from the inmate Activities and Recreation (A&R) Fund.

There are no audit findings that are required to be reported in the *Government Auditing Standards* Report on Internal Control over Financial Reporting and on Compliance and Other Matters. However, our audit disclosed an internal control weakness and an instance of noncompliance with laws and regulations that did not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is described below.

The Lewis Prison Complex needs to spend
inmate Activities and Recreation fund monies
in accordance with state law and department policies

According to Arizona Revised Statutes §41-1604.03, a special services fund is to be established, maintained, and administered by the Department. The special services fund, including inmate A&R Fund monies, must be used for the benefit, education, and welfare of inmates. Additionally, department policies permit the director or division director to authorize other expenditures that serve an inmate purpose, as prescribed by state law. All expenditures from this fund must be properly approved and can include purchases of recreational supplies and equipment, cable television systems, educational and resource materials, medical costs, and minor construction items such as visitation verandas and basketball courts.

During fiscal years 2006 through 2008, Lewis Prison officials inappropriately spent A&R fund monies for computers, computer equipment, and repairs to prison vehicles. Specifically, prison officials approved and purchased computers, computer equipment, and office furniture with A&R monies, totaling almost \$152,000, for use by its Correctional Officers III and IV in their official capacities. Correctional Officers III provide assistance to both the inmates and the prison, and Correctional Officers IV function solely for the benefit of the prison. As a result, a portion of these expenditures did not directly benefit the inmates and should not have been allowed. Additionally, Lewis Prison did not maintain the necessary documentation to properly allocate the costs of fuel, maintenance, and vehicle repairs between the prison and the A&R Fund. As a result, approximately \$8,400 in unsupported charges were paid from the A&R Fund.

To help ensure that A&R Fund monies are spent in accordance with state law and department policies, Lewis Prison officials should take more care when reviewing and approving A&R expenditures. The Department should also provide continuous training to all department employees with A&R purchasing responsibilities. Further, Lewis Prison officials should allocate the costs of computers, computer equipment, and vehicle repairs based on the percentage of time the items were used for the prison and inmates. For the prison's portion of costs, it should transfer local revenues from other funds to replenish the A&R Fund monies it spent inappropriately during fiscal years 2006 through 2008.

This letter is intended solely for the information of the Department and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Jay C. Zsorey, CPA
Financial Audit Director

Arizona Department of Corrections



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(602) 542-5536



JANET NAPOLITANO
GOVERNOR

DORA B. SCHRIRO
DIRECTOR

December 18, 2008

Debra K. Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Arizona Department of Corrections (Department) has read the preliminary report draft of the audit for the year ending June 30, 2008. The audit addresses one finding. The following is the Department's response to that finding.

The Lewis Prison Complex needs to spend inmate Activities and Recreation fund monies in accordance with state law and department policies

According to Arizona Revised Statutes §41-1604.03, a special services fund is to be established, maintained, and administered by the Department. The special services fund, including inmate A&R Fund monies, must be used for the benefit, education, and welfare of inmates. Additionally, department policies permit the director or division director to authorize other expenditures that serve an inmate purpose, as prescribed by state law. All expenditures from this fund must be properly approved and can include purchases of recreational supplies and equipment, cable television systems, educational and resource materials, medical costs, and minor construction items such as visitation verandas and basketball courts.

During fiscal years 2006 through 2008, ASPC-Lewis officials inappropriately spent A&R fund monies for computers, computer equipment, and repairs to prison vehicles. Specifically, prison officials approved and purchased computers, computer equipment, and office furniture with A&R monies, totaling almost \$152,000, for use by its Correctional Officers III and IV in their official capacities. Correctional Officers III provides assistance to both the inmates and the prison, and Correctional Officers IV function solely for the benefit of the prison. As a result, a portion of these expenditures did not directly benefit the inmates and should not have been allowed. Additionally, ASPC-Lewis did not maintain the necessary documentation to properly allocate the costs of fuel, maintenance, and vehicle repairs between the prison and the A&R Fund. As a result, approximately \$8,400 in unsupported charges was paid from the A&R Fund.

Ms. Debra K. Davenport
December 18, 2008
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The Department agrees that although CO III and CO IV staff and vehicles were partially employed on A&R Fund related activities, the amount of time spent on A&R Activities was not documented therefore; the finding of the Auditor General is agreed to and the Department of Corrections will take the following corrective action:

- Computers and equipment used by CO III or CO IV staff will not be purchased with Activities and Recreation funds unless the staff member is employed full time on activities specifically authorized to be funded by the A&R Fund.
- The part-time employment of staff or equipment on A&R functions will be adequately documented when any of the cost is charged to the A&R Fund.

Thank you and your staff for the professional manner in which this audit was performed. There will be no reoccurrence.

Sincerely,

Dora B. Schriro
Director

DBS/pcn