

Tennessee Corrections Institute

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

April 10, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Roy Nixon, Executive Director
Tennessee Corrections Institute
Eighth Floor, Andrew Jackson Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Corrections Institute for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
01/080



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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April 10, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Corrections Institute for the years ended June 30, 2000, and June 30, 1999.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Corrections Institute's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Corrections Institute is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed a finding which is detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit finding; we have included the response following the finding. We will follow up the audit to examine the application of the procedures instituted because of the audit finding.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Tennessee Corrections Institute's management in a separate letter.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr.".

Arthur A. Hayes, Jr., CPA
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Corrections Institute
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT SCOPE

We have audited the Tennessee Corrections Institute for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of expenditures, equipment, payroll and personnel, computer security, inspection of local correctional facilities, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDING

Local Correctional Facilities Not Inspected on Time*

The institute did not inspect all facilities annually and reinspect the required facilities within 60 days (page 6).

* This finding is repeated from the prior audit.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Corrections Institute
For the Years Ended June 30, 2000, and June 30, 1999

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Tennessee Corrections Institute

For the Years Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Corrections Institute. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Tennessee Corrections Institute provides support services for local penal systems in Tennessee. The institute educates local correctional staff in areas such as legal issues, report writing, communications, and security measures. The institute also establishes standards that it uses to inspect and certify local adult correctional facilities in areas such as physical environment, medical services, and inmate supervision. The institute also responds to requests for technical assistance from correctional facilities and governmental agencies.

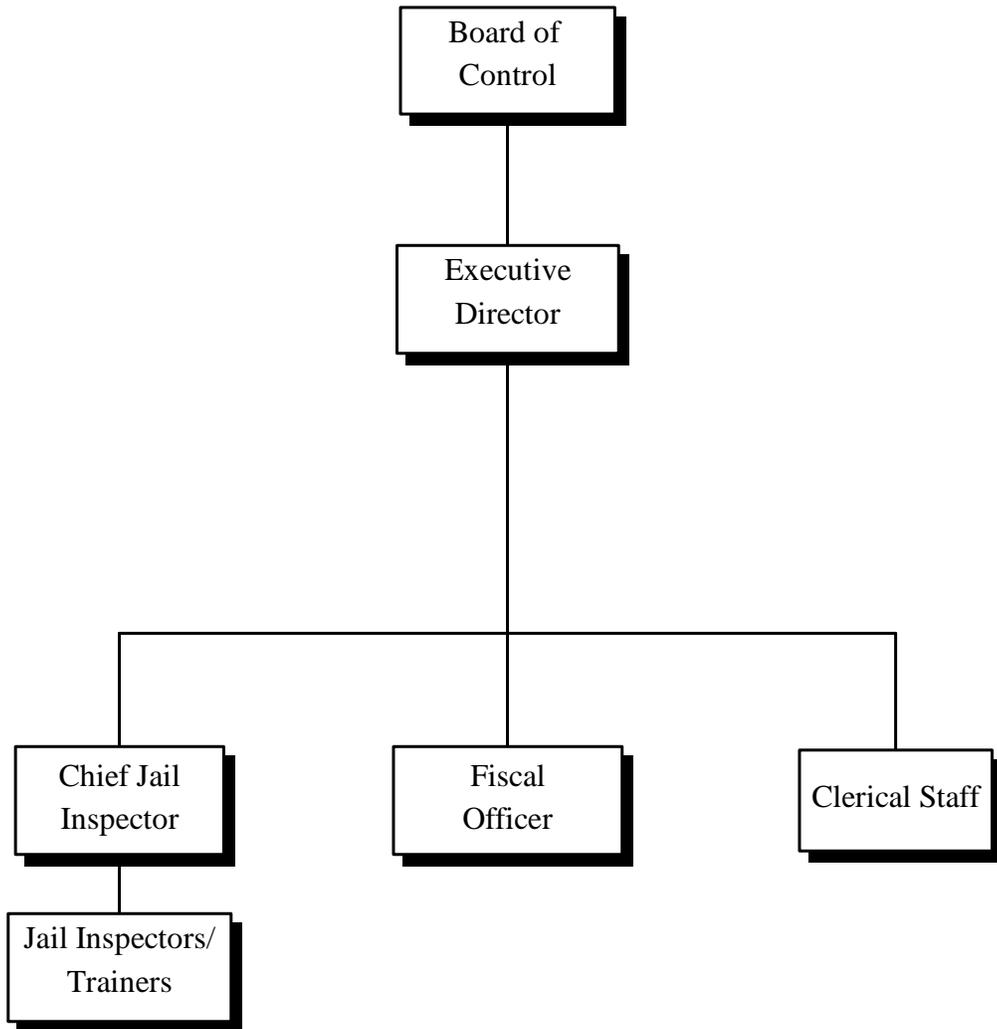
An organization chart of the institute is on the following page.

AUDIT SCOPE

We have audited the Tennessee Corrections Institute for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of expenditures, equipment, payroll and personnel, computer security, inspection of local correctional facilities, and compliance with the Financial Integrity Act. The audit was conducted in accordance with generally accepted government auditing standards.

The Tennessee Corrections Institute is accounted for in allotment code 316.09.

**TENNESSEE CORRECTIONS INSTITUTE
ORGANIZATION CHART**



PRIOR AUDIT FINDING

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. A follow-up of the prior audit finding was conducted as part of the current audit.

The prior audit report contained a finding concerning the inspection of local correctional facilities. This finding has not been resolved and is repeated in the applicable section of this report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EXPENDITURES

Our objectives for reviewing expenditure controls and procedures were to determine whether

- policies and procedures regarding expenditures were adequate;
- recorded expenditures for goods and services were adequately supported, properly authorized, and correctly recorded in the state's accounting records;
- payments to vendors were made promptly;
- institute records were reconciled with reports from the state's accounting system; and
- expenditures were in compliance with applicable state regulations.

We interviewed key institute personnel and reviewed supporting documentation to gain an understanding of the institute's procedures and controls over expenditures and to determine whether institute records were reconciled with reports from the state's accounting system. We also tested a nonstatistical sample of expenditures during the audit period.

Based on our interviews and reviews of supporting documentation, we determined that policies and procedures regarding expenditures were adequate and institute records were reconciled with reports from the state's accounting system. Based on our testwork, we determined that recorded expenditures for goods and services were adequately supported, properly authorized, and correctly recorded in the state's accounting records; payments to vendors were made promptly; and expenditures were in compliance with applicable state

regulations. Although we had no findings related to expenditures, a minor weakness was reported to management in a separate letter.

EQUIPMENT

Our objectives for reviewing equipment controls and procedures were to determine whether

- policies and procedures regarding equipment were adequate;
- equipment purchases were properly added to the property listing;
- the institute's property listing represented a complete and valid listing of the assets physically on hand; and
- property and equipment were adequately safeguarded.

We interviewed key institute personnel and reviewed supporting documentation to gain an understanding of the institute's procedures and controls over equipment. We traced all equipment purchases during the audit period to the invoice to determine whether equipment purchases were properly added to the property listing. We also physically located or confirmed all items on the property listing at June 30, 2000.

Based on our interviews and reviews of supporting documentation, we determined that policies and procedures regarding equipment were adequate, and property and equipment were adequately safeguarded. Based on our testwork, we determined that equipment purchases were properly added to the property listing, and the institute's property listing represented a complete and valid listing of the assets physically on hand. Although we had no findings related to equipment, a minor weakness was reported to management in a separate letter.

PAYROLL AND PERSONNEL

Our objectives for reviewing payroll and personnel controls and procedures were to determine whether

- policies and procedures regarding payroll and personnel were adequate;
- payroll disbursements were authorized, adequately supported, and properly calculated; and
- annual, compensatory, and sick leave were earned and taken in accordance with Department of Personnel guidelines.

We interviewed key institute personnel and reviewed supporting documentation to gain an understanding of the institute's procedures and controls over payroll and personnel. We also tested a nonstatistical sample of payroll transactions from the audit period.

Based on our interviews and reviews of supporting documentation, we determined that policies and procedures regarding payroll and personnel were adequate. Based on our testwork, we determined that payroll disbursements were authorized, adequately supported, and properly calculated, and leave was earned and taken in accordance with Department of Personnel guidelines.

COMPUTER SYSTEM SECURITY

Our objective for reviewing computer system security controls and procedures was to determine whether the system access granted to institute employees was appropriately documented, approved, and appeared reasonable based on the types of duties the employees performed.

We interviewed key institute personnel and reviewed supporting documentation to gain an understanding of the institute's procedures and controls over computer system security. We assessed the institute's systems to determine which employees were recognized users of the system and to determine these employees' level of security. We reviewed the documentation authorizing these employees to access the systems and compared the employees' level of access to the employees' job description.

Based on our interviews, reviews of supporting documentation, and testwork, we determined that the system access granted to institute employees was appropriately documented, approved, and appeared reasonable based on the types of duties the employees performed.

INSPECTION OF LOCAL CORRECTIONAL FACILITIES

Our objectives for reviewing the controls and procedures over inspections of local correctional facilities were

- to follow up a prior audit finding concerning the inspection of local correctional facilities;
- to determine whether institute policies and procedures for the inspection of local correctional facilities complied with Section 41-4-140, *Tennessee Code Annotated*; and
- to determine whether local correctional facilities were inspected as required by Section 41-4-140, *Tennessee Code Annotated*.

We interviewed key institute personnel and reviewed supporting documentation to gain an understanding of the institute's procedures and controls over the inspection of local correctional facilities. We reviewed inspection logs and tested a nonstatistical sample of reports completed for inspections during calendar years 2000 and 1999.

Based on our interviews, reviews of supporting documentation, and testwork, we determined that the institute's policies and procedures for the inspection of local correctional facilities complied with Section 41-4-140, *Tennessee Code Annotated*. However, we determined that the local correctional facilities were not being inspected in accordance with Section 41-4-140, *Tennessee Code Annotated*, as discussed in the following finding. In addition to the finding, a minor weakness was reported to management in a separate letter.

Local correctional facilities are not inspected in accordance with state statute

Finding

As noted in the prior audit, the Tennessee Corrections Institute is not inspecting local correctional facilities in accordance with Section 41-4-140, *Tennessee Code Annotated*. This statute requires the institute to inspect all local correctional facilities annually and to certify compliance with minimum state standards. If a facility does not qualify for certification, an extension of up to 60 days may be granted to allow the facility to make the necessary improvements and the institute to reinspect the facility. Management concurred with the prior finding and stated that the addition of two new staff members would help to resolve this finding.

Although improvements have been made, testwork revealed that five of ten facilities requiring reinspection tested (50%) were not reinspected within 60 days, as required by Section 41-4-140, *Tennessee Code Annotated*. These five facilities were reinspected from one to 115 days late; however, four of the five reinspections were conducted less than 40 days late. Also, a review of the inspection logs revealed that one facility was not inspected in 2000.

The annual inspections are necessary to ensure the local correctional facilities maintain the minimum state standards. If the Tennessee Corrections Institute does not inspect the local correctional facilities in accordance with Section 41-4-140, *Tennessee Code Annotated*, the number of successful inmate lawsuits concerning living conditions could increase or facility employees or members of the public could be injured if an inmate attempts to escape.

Recommendation

The Tennessee Corrections Institute should inspect the local correctional facilities annually and conduct any necessary reinspections within 60 days in accordance with state law.

Management's Comment

Management agrees with the audit and has taken steps to assure that every facility is inspected at least once a year, and if a reinspection is called for, it must be completed within the 60-day time period allotted for reinspection.

The fact that one facility was reinspected 115 days late and did not have a regular inspection in 2000 was an oversight on the part of the inspector and management. The reinspection in June 2000 was inadvertently recorded as the regular inspection for that year. This was an oversight that should not have happened, and the detention facility specialists have been notified to be very careful in situations like this. We have given instructions that every jail inspection is to be completed by November 1, which allows for the 60 days to complete a reinspection if necessary before the end of the year.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30, 1999, and each year thereafter. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the institute's June 30, 2000, and June 30, 1999, responsibility letters and December 31, 1999, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the institute's evaluation of its internal accounting and administrative control was properly maintained;
- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*; and
- corrective actions have been implemented for weaknesses identified in the report.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the institute's procedures. We also reviewed the supporting documentation for these procedures. We reviewed the June 30, 2000, and June 30, 1999, responsibility letters and the December 31, 1999, internal accounting and administrative control report submitted to the Comptroller of the Treasury and to

the Department of Finance and Administration to determine adherence to submission deadlines. To determine if corrective action plans had been implemented, we interviewed management and reviewed supporting documentation as considered necessary.

We determined that the Financial Integrity Act responsibility letters were submitted on time, the internal accounting and administrative control report was submitted ten days late, support for the internal accounting and administrative control report was properly maintained, and procedures used were in compliance with *Tennessee Code Annotated*. Corrective action was being taken on the weakness noted.