

Report on the

**Department of Corrections
State of Alabama
Montgomery, Alabama**

October 1, 2014 through September 30, 2018

Filed: March 20, 2020



**Department of
Examiners of Public Accounts**

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Rachel Laurie Riddle, Chief Examiner



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State of Alabama
Department of
Examiners of Public Accounts

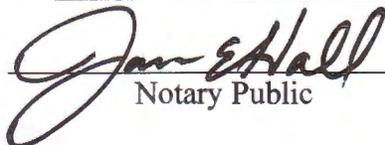
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An examination was conducted on the Department of Corrections, Montgomery, Alabama, for the period October 1, 2014 through September 30, 2018, by Examiners Manuel V. Anthony, Helena Bryant, and Audrey Morgan. I, Manuel V. Anthony, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I submit this report to you on the results of the examination.

Sworn to and subscribed before me this
the 10th day of March, 2020.



Notary Public

rb

Respectfully submitted,


Manuel V. Anthony
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Department of Corrections
October 1, 2014 through September 30, 2018**

The Department of Corrections (the “Department”) was established and operates under the authority of the *Code of Alabama 1975*, Sections 14-1-1.1 through 14-1-20. The *Code of Alabama 1975*, Section 14-1-15, states that all duties, responsibilities, authority, power, assets, liabilities, property, funds, appropriations, contractual rights and obligations, property rights and personnel, whether accruing or vested, by operation or law, which were previously vested in the Board of Corrections under the *Code of Alabama 1975*, Title 14, Chapters 1 through 12, are hereby vested in the Governor of the State of Alabama. This includes the operation of a system of diversified prison industries, maintenance of necessary records on facilities and inmates, provisions for apprehension of escaped convicts, and responsibility for clothing and travel expenses for discharged convicts.

This report presents the results of an examination of the Department and a review of compliance by the Department with applicable laws and regulations of the State of Alabama. This examination was conducted in accordance with the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. Our examination was performed for the purpose of determining whether the public officers, agents, and employees of the Department properly and lawfully accounted for all money and other public assets or resources received, disbursed, or in the custody of the Department. Our examination included determining compliance by the Department with state laws and regulations that pertain to financial transactions; personnel; safeguarding of state-owned assets, property, and resources; information dissemination, processing, and retention; and official actions, rulemaking procedures, and meetings. As a part of our examination, we also reviewed internal control policies and procedures relating to the areas listed above. Our examination did not encompass managerial and operational matters, such as whether the Department accomplished its mission or its regulatory, enforcement, investigative, or other oversight activities in an efficient, fair, timely, or legal manner.

The following instances of noncompliance with State laws and regulations and other matters were found during the examination as shown on the Schedule of State Legal Compliance and Other Findings and they are summarized below.

CURRENT FINDINGS

- 2018-01 relates to the Department not reporting medical cost to the Chairs of the House Ways and Means General Fund Committee, the Senate Finance and Taxation-General Fund Committee, and the Chairman of the Joint Legislative Prison Committee.
- 2018-02 relates to Community Corrections Programs not having annual audits and annual program evaluations performed as required by the *Code of Alabama 1975*, Section 15-18-174(7). This finding was previously reported as a part of findings 2014-03 and 2014-04.

Mr. Jefferson Shaw Dunn, Alabama Department of Corrections Commissioner, was invited to an exit conference held on February 24, 2020. Individuals in attendance were Rodney Blankenship, Accounting Director; Christy Erb, Assistant Accounting Director, Samson Ervin, Assistant Accounting Director and Tom Seibert, Chief Internal Auditor, along with Leovetta Childrey, Helena Bryant and Manuel Anthony from the Department of Examiners of Public Accounts.



Department of
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COMMENTS

**Department of Corrections
October 1, 2014 through September 30, 2018**

The Department of Corrections (the “Department”) was established and operates under the authority of the *Code of Alabama 1975*, Sections 14-1-1.1 through 14-1-20. The *Code of Alabama 1975*, Section 14-1-15, states that all duties, responsibilities, authority, power, assets, liabilities, property, funds, appropriations, contractual rights and obligations, property rights and personnel, whether accruing or vested, by operation or law, which were previously vested in the Board of Corrections under the *Code of Alabama 1975*, Title 14, Chapters 1 through 12, are hereby vested in the Governor of the State of Alabama. This includes the operation of a system of diversified prison industries, maintenance of necessary records on facilities and inmates, provisions for apprehension of escaped convicts, and responsibility for clothing and travel expenses for discharged convicts.

The Department is under the independent direction, supervision, and control of a Commissioner of Corrections, who is appointed by and serves at the pleasure of the Governor. The Commissioner is required to devote full time to his official position. Before entering upon the duties of office, he is required to take the constitutional oath of office and execute to the State of Alabama a bond to be approved by the Governor for the faithful performance of his duties. The Commissioner has the authority to appoint no more than three deputy commissioners, who shall serve at his pleasure, and to define their duties. Their salaries are set by the Commissioner but cannot exceed the salary paid to the Commissioner.

The Department operates from the following funds, which are maintained in the State Treasury:

- **Fund 101 General Fund** – Used to account for the Department’s general operations.
- **Fund 382 Special Revenue** – Used to account for the Department’s operations not accounted for in the General Fund.
- **Fund 432 Corrections Industries/Industrial Revolving Fund** – Used to account for the Department’s industries operations.

- **Fund 533 Drug Demand Reduction Fund** – Used to account for all penalties pursuant to Division 7, Demand Reduction Assessment Act, *Code of Alabama 1975*, Section 13A-12-280.
- **Fund 923 Corrections Farms** – Used to account for all farm operations.

The audited financial information of the Department is included in the basic financial statements contained in the State of Alabama's Comprehensive Annual Financial Reports. This information is presented in a separate column for the Department with the exception of the General Fund. The receipts and disbursements for the General Fund are presented in Exhibit 1.

Bank accounts are maintained by correctional facilities throughout the state to account for nonoperating funds. Five funds are maintained at the major correctional institutions and four funds are maintained at the work release centers. These bank accounts are as follows:

- **Prisoner's Money on Deposit (PMOD)** – These funds represent money owned by individual inmates. The Department of Corrections holds and administers this money during the inmate's incarceration.
- **Institutional Contingency Fund (ICF)** – These funds were established and are maintained for the benefit of the inmate population at each of its facilities. Receipts to this fund are from canteen profits, interest earned on inmate funds and various other sources.
- **Institutional Revolving Fund** – The funds in these bank accounts are petty cash funds that are used to pay discharge and transportation expenses to inmates upon their release.
- **Institutional General Fund** – These funds represent money received from various sources including: work release salary, commissions, transportation fees, meal receipts, rent revenue, utility receipts, and other miscellaneous income.
- **Institutional Canteen Fund (major institutions only)** – These funds are used to account for sales from each institution's canteen. The canteens are used exclusively by inmates.

The Department owned nonconsumable personal property consisting of automobiles, office furniture, computers and equipment. Nonconsumable personal property in the custody of the Department was compared with property records maintained by the Property Inventory Division of the State Auditor's Office. No discrepancies were noted.

*Schedule of State Legal
Compliance and Other Findings*

Schedule of State Legal Compliance and Other Findings
For the Examination Period Ended September 30, 2018

Ref. No.	Finding/Noncompliance
2018-01	<p><u>Finding:</u> The General Fund Appropriation Act for Fiscal Year 2017 required the Department of Corrections to report to the Chairs of the House Ways and Means General Fund Committee, the Senate Finance and Taxation-General Fund Committee, and the Chairman of the Joint Legislative Prison Committee on the medical costs for each geriatric inmate, permanently incapacitated inmate, and terminally ill inmate, as defined in the <i>Code of Alabama 1975</i>, Section 14-14-2, no later than September 30, 2017. The Department of Corrections did not report medical cost to the Chairs of the House Ways and Means General Fund Committee, the Senate Finance and Taxation-General Fund Committee, and the Chairman of the Joint Legislative Prison Committee because they did not have a system in place to track medical costs by inmate.</p> <p><u>Recommendation:</u> The Department of Corrections should report inmate medical cost to the required parties as stated, to ensure compliance with the applicable Appropriation Act.</p>
2018-02	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 15-18-174(7), requires the Department of Corrections to conduct an audit and annual program evaluation of organizations participating in the Community Corrections Program. During the examination we noted some program evaluations were being performed but not annually, as required, due to lack of staff. Also, some programs did not have the required annual audits performed. This finding was previously reported as a part of findings 2014-03 and 2014-04.</p> <p><u>Recommendation:</u> The Department of Corrections - Community Corrections Division, should perform annual audits and annual program evaluations of programs receiving contracts or grants to ensure compliance with the <i>Code of Alabama 1975</i>, Section 15-18-174(7).</p>

Schedule of Cash Receipts, Disbursements and Balances
For the Period October 1, 2016 through September 30, 2018

	2017-2018	2016-2017
Receipts		
General Fund Allotments	\$ 453,112,380.00	\$ 414,616,537.00
Total Receipts	<u>453,112,380.00</u>	<u>414,616,537.00</u>
Disbursements		
Personnel Costs	167,813,717.27	165,406,615.42
Employee Benefits	65,583,947.98	62,482,160.85
Travel, In-State	645,744.08	538,495.06
Travel, Out-of-State	43,650.18	24,122.87
Repair and Maintenance	6,742,824.19	3,932,995.25
Rentals and Leases	3,025,146.17	3,652,203.89
Utilities and Communication	16,301,806.01	15,596,393.25
Professional Services	123,313,441.15	113,658,990.64
Supplies, Materials, and Operating Expenses	28,936,642.94	29,664,644.96
Transportation Equipment Operations	3,536,051.76	3,547,082.74
Grants and Benefits	9,898,965.16	9,120,341.00
Capital Outlay		191,851.00
Transportation Equipment Purchases	131,796.04	14,220.34
Other Equipment Purchases	3,780,414.40	3,043,466.68
Prior Year General Fund Reversion	157,111.03	872,749.38
Current Year General Fund Reversion	9,932,497.49	6,226,605.73
Total Disbursements	<u>439,843,755.85</u>	<u>417,972,939.06</u>
Excess (Deficiency) of Receipts Over Disbursements	13,268,624.15	(3,356,402.06)
Cash Balances at Beginning of Year	<u>19,854,835.86</u>	<u>23,211,237.92</u>
Cash Balances at End of Year	<u>\$ 33,123,460.01</u>	<u>\$ 19,854,835.86</u>

Officials
October 1, 2014 through September 30, 2018

Officials		Term Expires
Mr. Jefferson Shaw Dunn	Commissioner Department of Corrections 301 Ripley St. Montgomery, AL 36104 (334) 353-3883 www.doc.alabama.gov	
Mr. Kim T. Thomas	Commissioner	01/20/2015