



# FINANCIAL CONTROLS IN STATE AGENCIES: CORRECTIONS

EXECUTIVE OFFICES AND CRIMINAL JUSTICE APPROPRIATIONS SUBCOMMITTEE

ISSUE BRIEF

## 1. Control Environment

The Department of Corrections fosters an environment that is led by honor, accountability, and integrity. These three values are expected of all members of the Department from Executive to entry level staff. Through the hiring process, the Department seeks out those individuals that represent these values. The Department's leadership team enlists an environment where staff members can openly report issues and make suggestions to leadership that will enable the Department to run more effectively and efficiently. Department Staff that are assigned financial duties are trained for the tasks that they are assigned, and are required to attend necessary training when needed. They are required to follow all developed policies and procedures of the Department as well as those developed by the State Division of Finance.

## 2. Separation of Duties

The DOC has established several levels of responsibility to ensure that there is a separation of duties in financial management tasks, so that the Department's resources are safeguarded as best as possible. The Department has separation of duty controls in all financial management areas including budgeting, cash/check receiving, purchasing, and cash disbursements.

- 1) **Budgets:** The budget is prepared by staff in the Bureau of Finance with oversight by the Director in each division and the Executive Director's Office. Any changes to the budget are made by Finance staff only by the written authorization of the Division Director and/or the Executive Director. Monthly projections are completed by Finance with the assistance of financial staff located throughout each division. These projections are then reviewed with Executive staff, Directors and other management staff on a monthly basis.
- 2) **Cash/Check Receipts:** The Department has many safeguards in place to ensure that no one person has full control on cash/checks that are received by the Department. All mail is opened by two individuals and any checks or cash received are receipted in and recorded in a log. The checks or cash is then given to the proper unit to be processed. Deposits are prepared, and are then reviewed by a supervisor. Monthly bank reconciliations are then completed by a Financial Manager that is not responsible for the actual deposit. There is oversight by several people to ensure that receipts are handled properly. The Department also uses an outside vendor for a large portion of collections being put into the inmate and offender trust funds. These receipts are matched up with files sent to the DOC from the vendor as well as deposits being transferred to the bank account. These accounts are reconciled daily by two separate staff members in the Finance Bureau.
- 3) **Purchasing:** All purchases for the Department are approved by personnel with the authority to authorize a purchase. The actual purchase of goods and services is done by a staff member trained in purchasing who is not the one authorizing the purchase. The purchase is entered into the state's accounting system (FINET), and is reviewed and approved by an authorized financial staff member in the Bureau of Finance. The Department uses all the controls that FINET provides. The receipt of the goods and services is signed off by an individual other than the person authorizing the purchase..
- 4) **Cash Disbursements:** All payments for goods and services are completed through the Department's Finance Bureau by staff members that do not have the authority to purchase or receive goods. The payment is entered into FINET by an Accounting Tech and is reviewed and approved by a supervisor. The accounting technician and supervisor verify that there is proper authorization, receiving, and invoice to make the payment. The Department uses FINET and all its controls for payments.

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### **3. Purchasing Cards (P-Cards)**

Purchasing cards are used by the Department to make small purchases and are limited to small amounts and restrictions on what types of purchases can be made using the card. Department purchases using the P-card are reviewed and reconciled monthly by a Financial Manager in the Bureau of Finance that does not have P-card use privileges. The Department follows the State Division of Finance policies on P-cards and the controls set forth by these policies.

### **4. Written Policy**

The DOC follows and complies with all written State Finance and Purchasing policies and procedures. Although the DOC does not have a specific policy on separation of duties, separation of duties is addressed in various financial policies for the DOC, as well as State Finance policies and procedures.

### **5. Other Policies**

The Department is responsible for the collecting and disbursing of funds for the Inmate/Offender Trust Funds. The DOC has policies that relate to the collection and disbursement of these funds. A significant portion of the funding collected for these funds is collected through a contract vender using direct mail, internet collections , and the use of KIOSKS located throughout the State. The vendor provides the Department with a daily list of all transactions and sends daily the funding through an EFT. The funding and the transaction list are reviewed and posted daily to the inmates/offenders account. A reconciliation of this bank account is done on a monthly basis. All other funds are either collected in intake through Reception and Orientation units or sent directly to the Department through U.S. Mail. These funds are receipted and logged, entered into the inmate/offender accounts, and funding deposited into the bank account by separate individuals within the Department's Bureau of Finance. Disbursement of these funds is also included in the policy. See the attached policy on Inmate Funds.

Funds for offenders housed at the Community Correctional Centers (CCC) are collected and distributed by accounting staff at the CCC. These funds are entered and tracked in the Department's offender funds tracking software. A monthly reconciliation of the bank account is completed by staff in the Department's Finance Bureau. The policy on Offender Funds in the Community Correctional Centers has also been attached.

