

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF CORRECTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding 1:**

In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit a misappropriation of property at the Division of Correction's Central Armory involving ammunition and a firearm. The Department of Corrections – Internal Affairs investigated the allegation and determined that an employee of the Central Armory was selling ammunition purchased by the Department of Corrections, with the majority of ammunition sold coming from the Grimes Unit. Additionally, when the same employee was questioned by Internal Affairs, the employee returned a Division of Correction firearm that was shown to be deactivated in AASIS and had the Division of Correction in-house inventory number changed.

In January 2017, the Grimes Unit transferred 34,175 rounds of ammunition to the Central Armory as it was no longer needed, and from there it was scheduled to be moved to the Department of Transformation and Shared Services – Marketing and Redistribution (M&R) for disposal. However, M&R did not receive the ammunition. Based on an Internal Affairs investigation, 28,352 rounds transferred by the Grimes Unit, with an estimated cost of \$8,789, could not be accounted for.

During an in-house inventory of firearms at the Wrightsville Unit in April 2021, a weapon was found that was deactivated in AASIS. Central Armory staff were informed, and they instructed Wrightsville Unit staff to return the deactivated item so that the Armory could issue a new firearm. During follow-up procedures, Internal Affairs could not locate a transfer form for the deactivated firearm that showed it being received at the Central Armory. The firearm was returned to Internal Affairs by the same Central Armory employee that allegedly sold the ammunition with an altered Division of Correction inventory number.

Internal Affairs has provided all information to the Arkansas State Police, which has opened a criminal investigation.

**Recommendation:**

We recommend Agency management implement internal controls to ensure that at all times there is an accurate accounting of items received by and issued from the Central Armory.

**Agency Response:**

Division of Correction Director Dexter Payne met with Internal Affairs Administrator Raymond Naylor and Internal Auditor April Davis to develop internal controls that will assist with tracking and reporting of the inventory at the Central Armory. The following recommendations will be implemented:

- a. Utilize QuickBooks for logging and tracking the purchasing and distribution of all ammunition to all of the units from the Central Armory;
- b. Internal Audit will be responsible for an annual equipment sighting for the Central Armory, K9 Division, and Radio Shop;
- c. Require the Central Armory Armorer to report all Equipment Transfer Forms and Disposal of Equipment Forms to Internal Audit. Internal Audit will be responsible for making all changes in AASIS for the Central Amory, K9 Division, and Radio Shop;
- d. Require a year-end inventory audit to be conducted by Internal Audit of all weapons and ammunition stored at the Central Armory; and
- e. The Unit's Business Manager will be required to conduct an annual inventory of their Unit's armory and report their findings to Internal Audit.

**Finding 2:**

In accordance with Ark. Code Ann. § 25-1-124, the Agency reported to Arkansas Legislative Audit that an employee had received an unauthorized salary increase, which resulted in an overpayment of wages totaling \$4,676. A management-level employee within the Division of Correction instructed human resource staff that the employee had received a salary increase. The increase was input into AASIS by staff without any documentation from someone with authority to approve the change.

**Recommendation:**

We recommend Agency management strengthen internal controls to ensure that increases in wages are only input based on documentation received directly from management or others with authority to approve changes.

**Agency Response:**

The Department of Corrections Internal Audit recommended the following internal controls:

- a. If a promotion is granted and the increase in pay exceeds the 10% increase or the position's entry level pay, signed documentation of approval must be received from the Secretary or the Division's Director.
- b. HR Administrator promotions or demotions should have supporting documentation which contains approval from the Secretary and not an employee under the Human Resources (HR) Administrator's supervision.
- c. HR Administrators have an extensive role in AASIS, and it is merely impossible to place limits on their roles. An individual outside of the HR Administrator's supervision should periodically review changes he/she makes in AASIS.
- d. The Internal Audit Section will run a Payroll Comparison report on a quarterly basis per Secretary Solomon Graves. This report will allow the Department to identify and research variances between payrolls

**Finding 3:**

The State Financial Management Guide's rule R4-19-4-501 provides agencies a framework to assist in designing an adequate internal control structure around cash receipts. Some of the requirements include the following: Duties should be properly segregated so that no one person is collecting, recording, depositing, and reconciling cash receipts; checks received through the mail should be numbered, and marked or endorsed as soon as possible; for cash received in person, a pre-numbered receipt should be issued, at a minimum, in duplicate with the original receipt given to the party making payment and one duplicate maintained in the receipt book; and any cash receipt transactions voided in AASIS must be reviewed by a supervisor weekly. We designed tests to determine the Agency's compliance with this rule and noted the following exceptions.

- Daily deposit activity for 30 days was tested from the inmate banking unit of the Division of Community Correction. We noted four days that did not include a listing of checks received for that day; four days that included the check listing but did not indicate who performed the procedure, which limited our ability to verify proper segregation of duties; and three days that did not have proper segregation of duties, as the same individual received and recorded the day's activity.
- Management could not provide documentation of supervisory review and approval of any cash receipt transactions voided in the State's accounting system during the fiscal year.
- Six receipts from the pre-numbered receipt books maintained by the Division of Correction's North Central Unit were missing the original or one of the duplicate copies of the voided receipt.

By not complying with the State's financial management guide and ensuring that internal controls over cash receipts are operating effectively, improper accounting and other errors could occur.

**Recommendation:**

We recommend Agency management review R4-19-4-501 of the State Financial Management Guide, establish procedures to comply with the rule, and ensure internal controls over cash receipts are operating effectively.

**Agency Response:**

The Department of Corrections Chief Fiscal Officer (CFO) and the Internal Audit section recommend the following actions in order to increase internal controls related to cash receipts.

- a. In regard to ACC inmate banking:
  - i. Payments will be received at a department-owned post office box, unless received at the headquarters payment window.
  - ii. Payments [Money orders/Cashier checks] will be picked up by the designated staff each morning.
  - iii. Whoever picks up mail will open and distribute between the other processors/or employees.
  - iv. All mail will be opened, sorted, and stamped "For Deposit only."
  - v. The tape total will be run for each batch receipt to verify amounts before they are distributed or exchange to another processors.
  - vi. Payments will be entered into eOMIS (electronic offender management information system) to record the receipts in each offender's account

- vii. All items deemed "Unspecified" (unable to determine an account to process into) will be copied and researched.
  - viii. All money orders and other receipts will be stored (in a locked safe) overnight pending an update in eOMIS for deposit the following day.
  - ix. Totals will be balanced with the Daily Distribution report and Deposit Register from eOMIS.
  - x. Money will be taken to Simmons Bank to be deposit in the ACC account.
- b. When voiding cash receipts transactions,
- i. Per R4-19-4-501, voided transactions are to be approved and initialed by the (Accounting) supervisor.
  - ii. A ZCAJO Cash Journal report is to be ran on a weekly basis and deleted documents are to be initialed by the supervisor.
  - iii. These documents will be retained by Accounting Control.
- c. In dealing with pre-numbered receipt book
- i. Each receipt of money is to be evidenced by the issuance of a serially pre-numbered receipt.
  - ii. Assignment of responsibility for issuance of receipts is to be done to preclude the same individual having control on the money from time of receipt until deposit is accomplished.
  - iii. The original receipt shall be given to the party making payment.
  - iv. One duplicate copy of the receipt shall be maintained in numerical order in the receipt book.
  - v. Additional copies of the receipt may be used for any purpose the Agency deems fit.
  - vi. All cash receipts must be balanced daily.
  - vii. All voided transactions are to be approved and initialed by the Warden and/or appointee.

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
ARKANSAS DEPARTMENT OF CORRECTION –  
REPORT ON CERTIFICATION OF CONSUMPTION OF FARM PRODUCE  
FOR THE YEAR ENDED JUNE 30, 2020**

**Finding:**

We are charged with reviewing the farm accounting records and certifying whether the amount of farm produce reported as consumed by inmates and the value the Agency places on these products are accurate. The Agency mistakenly reported the November 2017 egg consumption amount of \$125,229 as the November 2019 egg consumption amount. Farm records we tested revealed the November 2019 egg consumption was \$45,372, resulting in an overstatement of \$79,857.

**Recommendation:**

We recommend the Agency perform a more detailed review of these transactions to prevent this type of error in the future.

**Agency Response:**

In the past, ADC exported monthly consumption information from QuickBooks to an Excel spreadsheet for reporting. Going forward, we will additionally compare year-to-date information in QuickBooks with the Inmate Consumption Excel spreadsheet on a year-to-date basis. This extra measure should help ensure the monthly consumption from QuickBooks is accurately reported annually.