
Secretary of State

State of Oregon

**BOARD OF PAROLE AND
POST-PRISON SUPERVISION**

Special Review



Audits Division

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POST-PRISON SUPERVISION**
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Auditing for a Better Oregon

The Honorable John Kitzhaber
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State Capitol Building
Salem, Oregon 97310

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This report encompasses a review of selected activities at the Board of Parole and Post-Prison Supervision (board) for the period July 1, 1995, through March 31, 1997. The objectives of the audit were to determine whether controls were in place to safeguard assets; whether selected transactions complied with pertinent laws, rules, and regulations; and to follow-up on recommendations resulting from our previous audit performed in 1993.

Our review identified an internal control weakness related to the board's monitoring of its accounting reports. We did not identify any instances of noncompliance with laws and regulations.

We conducted the audit in accordance with generally accepted government auditing standards. In this regard, we inquired of agency personnel, reviewed policies and procedures, tested relevant reports, and evaluated management controls as required to accomplish the objectives of our audit.

Our audit was limited to the specific matters described above, and was based on tests and procedures we considered necessary in the circumstances.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
June 9, 1997

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SUMMARY

The Board of Parole and Post-Prison Supervision (board) operates under *Oregon Revised Statutes* Chapter 144 and Oregon Administrative Rule 255. The board's mission is to work in partnership with the Department of Corrections and local supervisory authorities to protect the public and reduce the risk of repeat criminal behavior through incarceration and community supervision decisions based on applicable laws, victims' interests, public safety and recognized principles of offender behavioral change.

The board's functions include setting prison terms and parole release dates for certain offenders, establishing conditions of community supervision, sanctioning violators of community supervision conditions, and notifying eligible victims and local officials of hearings on and releases of prisoners.

The board's principal funding source is the General Fund. During the period July 1, 1995 to March 31, 1997, the board reported expenditures of \$2,376,413. The Department of Corrections maintains the accounting records for the board.

The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations for the period July 1, 1995 to March 31, 1997. We found no instances of noncompliance with laws and regulations; however, the internal controls can be improved over the monitoring of the board's accounting reports. The board's accounting records do not reflect two budget actions approved by the Emergency Board.

We also followed up on the recommendations from a prior review, and concluded that all recommendations had been adequately resolved.

INTRODUCTION

ORGANIZATION AND FUNCTIONS

The Board of Parole and Post-Prison Supervision (board) operates under *Oregon Revised Statutes* Chapter 144 and Oregon Administrative Rule 255. The board consists of three to five members, one of which must be a woman. Members are appointed by the Governor to four-year terms, subject to confirmation by the Senate. The current board consists of three members.

Created in 1969, the board's mission is to work in partnership with the Department of Corrections and local supervisory authorities to protect the public and reduce the risk of repeat criminal behavior through incarceration and community supervision decisions based on applicable laws, victims' interests, public safety and recognized principles of offender behavioral change.

The board's functions include:

- Determining the total term of certain consecutive sentences of imprisonment;
- Reviewing and approving release plans prepared by the Department of Corrections or other supervisory authority;
- Establishing conditions of community supervision for all offenders being released from prison;
- Determining parole release dates for offenders committing felony crimes prior to November 1, 1989 (i.e. the "Matrix" population);
- Determining when offenders sentenced as "Dangerous Offenders" or for aggravated murder with a life sentence with a possibility of parole should be released from prison;
- Issuing arrest warrants for parole and post-prison absconders;

- Sanctioning offenders who violate conditions of supervision; and
- Notifying eligible victims and local officials of hearings on and releases of prisoners.

FINANCIAL ACTIVITIES

The Board of Parole and Post-Prison Supervision's principal funding source is the General Fund. The board receives less than one percent of its total revenue from Other Funds. These consist of revenues received from the sale of photocopies and copies of hearing tapes, and a grant from the Oregon Department of Justice for developing a video presentation for crime victims and survivors.

Listed below are the current biennium expenditures for the period, July 1, 1995, to March 31, 1997, summarized from the department's accounting records, compared to the amounts budgeted for the biennium.

Expenditure Category	Recorded Expenditures as of March 31, 1997	Budgeted Expenditures for 1995-97 Biennium	Percent of Biennial Budget Expended
Personal Services	\$ 1,340,126	\$ 1,592,365	84%
Office Expenditures	232,402	291,127	80%
Attorney General Fees	207,997	220,000	95%
Psychiatric Evaluations	192,158	204,735	94%
Other Professional Services	403,730	439,575	92%
Total	\$ 2,376,413	\$ 2,747,802	86%

Note: 87.5% of the biennium has been completed.

The board's accounting records are maintained by the Department of Corrections (department). The department is responsible for processing and recording all cash receipts and disbursements as directed by the board.

**SCOPE AND
METHODOLOGY**

We reviewed the internal controls at the Board of Parole and Post-Prison Supervision (board) and tested transactions for the period July 1, 1995, to March 31, 1997. The transactions were tested to evaluate the effectiveness of internal controls and compliance with laws and regulations. We tested personal services expenditures, services and supplies expenditures, and travel expenditures. We also reviewed the board's fixed asset records.

Specifically, we performed analytical procedures on General Fund expenditures recorded for the board. These procedures included actual-to-budget comparisons of services and supplies, capital outlays, personal services and total expenditures to verify that the recorded transactions were consistent with budget projections and auditor expectations.

For payroll, we tested payments for work-out-of-class and overtime to determine whether they were properly authorized and calculated. We tested the monthly timesheets to determine whether they were properly authorized. We reviewed the payroll register for unusual items. We also reviewed payroll exception reports and verified that exceptions were reasonably explained and properly authorized.

For services and supplies expenditures, we traced selected transactions to supporting documentation. We verified that the amount paid was accurate, properly authorized, properly classified and recorded, and in compliance with applicable agreements and regulations. Additionally, we tested travel reimbursements for compliance with state policies, and to determine if they were an appropriate use of public funds.

We reviewed cash, appropriation, and limitation account reconciliations. We ensured that they were approved by the preparer's supervisor, and performed on a timely basis. We also traced reconciling items to clearance.

We tested fixed assets by locating all fixed assets included in the property inventory. We also performed a search for unrecorded fixed assets.

We followed up on our previous audit by interviewing board employees and reviewing relevant reports to determine if the board had implemented the audit recommendations.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Our audit was limited to the areas specified in this section of the report.

AUDIT RESULTS

REPORT ON INTERNAL CONTROL

The management of the Board of Parole and Post-Prison Supervision (board) is responsible for establishing and maintaining internal control. In fulfilling this responsibility, management's estimates and judgments are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with laws and regulations. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of the changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant controls and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures and not to provide an opinion on the internal controls. Accordingly, we do not express such an opinion.

We noted a matter involving internal control and its operation that we consider to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the

risk that errors or irregularities may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described is a material weakness. Reportable conditions are reported in the Findings and Recommendations section of the report. We also noted other matters involving the internal control structure and its operation that have been communicated separately to management.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations applicable to the Board of Parole and Post-Prison Supervision (board) is the responsibility of management. As part of our audit, we performed tests of the board's compliance with certain provisions of laws and regulations relating to selected transactions. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

FINDINGS AND RECOMMENDATIONS

Recording Budget Changes

The Board of Parole and Post-Prison Supervision's (board) accounting records do not reflect two budget actions approved by the Emergency Board. The Department of Corrections (department) has not updated

the board's accounting records to reflect the Emergency Board approved increases in appropriations of \$100,000 and limitations of \$9,075 that occurred during September 1996 and November 1996, respectively. The board maintained informal reports used to monitor its budget; these reports did include the Emergency Board actions.

The *Oregon Accounting Manual* Chapter 05 states, "the biennial budget approved by the Legislature and budget actions approved by the Emergency Board must be formally recorded in the accounting records of each agency." Furthermore, budget changes need to be promptly and accurately entered for budgetary accounting to effectively assist in controlling expenditures and encumbrances.

Though the department maintains the accounting records for the board, it does so at the discretion of the board. The board's staff is responsible for reviewing accounting and management reports for reasonableness and completeness, and for resolving variances noted.

We recommend that the board ensure that budget changes approved by the Emergency Board are recorded by the department in a timely manner.

FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

This section reports follow-up action taken by the Board of Parole and Post-Prison Supervision (board) management on the recommendations presented in the Recommendations section of our audit released December 1993.

Prior Audit Recommendations

Disposition

Develop written procedures to ensure that staff consistently compile offender information, use original source documents, and review key information and calculations maintained in offender files.

Resolved. The board has implemented written desk procedures.

Add a control sheet to each offender file to serve as a checklist to document the completeness of the file and to document the review of key information and calculations.

Resolved. The board does not use a control sheet to review offender files. Instead, it has chosen to internally audit all matrix files and periodically audit sentencing guidelines files. We concur with the board's alternative method.

Develop a performance measure for generating and maintaining accurate offender information and develop a process for measuring the accuracy of this information.

Resolved. The board has developed a performance measure and a process for measuring its accuracy.

Continue its efforts to simplify and clarify board correspondence and documents, and establish a completion date for this effort.

Resolved. The board has revised board correspondence and documents, so there is a separate letter for each type of notification to victims. Previously, one form letter was used for all types of notifications to victims.

Correct errors we found in the files we reviewed.

Resolved. We tested the files reviewed in the previous audit and found the errors identified had been corrected.

REPORT DISTRIBUTION

This report is a public record and is intended for the information of the Board of Parole and Post-Prison Supervision's management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by the officials and staff of the Board of Parole and Post-Prison Supervision and the Department of Corrections were commendable and much appreciated.

AUDIT TEAM

Beth Taylor, CIA, Audit Administrator
Dale Schneider, CPA
Tomás Flores

AGENCY'S RESPONSE TO THE AUDIT REPORT

August 1, 1997

John Lattimer, State Auditor
Audits Division
Office of Secretary of State
255 Capitol Street, NE
Salem, OR 97310

BOARD OF
PAROLE AND
POST-PRISON
SUPERVISION

Dear Mr. Lattimer:

Thank you for the opportunity to review the draft audit report on the Board of Parole and Post-Prison Supervision. The Board concurs with the findings and recommendations contained in the report, as amended following our exit conference on July 30, 1997.

We have taken the necessary steps, in cooperation with the Department of Corrections, to ensure that the Board's accounting records maintained by the Department of Corrections, will accurately reflect budget changes approved by the Emergency Board in a timely manner. We have been assured by the department's budget staff the two examples cited in your report will be corrected within the next ten days.

The Board is very appreciative of the many valuable services the Department of Corrections provides for our agency, at no cost. This has proven to be a very satisfactory and cost effective arrangement for the Board, and the State. We recognize that the Department of Corrections is a large complex agency. For this reason, the Board has kept, and will continue to keep, an in-house record of our budget. This has functioned well as a cross check to Department of Corrections entries and has allowed the Board to consistently present accurate budget reports.

We want to acknowledge the professionalism and thoroughness displayed by auditor Tomas Flores during the course of this audit, and offer our thanks to him for keeping us fully informed of his findings throughout the process and for his patience and courtesy while working with our staff.

Sincerely,



Dianne L Middle
Chairperson

DLM/jre/pjsb

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