

LEGISLATIVE AUDIT DIVISION

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To: Legislative Audit Committee Members
From: Kenneth Noddings, Associate Management & Program Analyst
Cc: Brian Gootkin, Director, Department of Corrections
Cynthia Wolken, Deputy Director, Department of Corrections
Natalie Smitham, Chief Financial Officer, Department of Corrections
Date: December 2023
Re: Performance Audit Follow-Up 24SP-01: *Inmate Welfare Fund* (22P-03)
Attachment: Original Performance Audit Summary

Introduction

The *Inmate Welfare Fund* (22P-03) report was issued to the Legislative Audit Committee in June 2022. The audit included a single recommendation to the Department of Corrections (department). In the fall of 2023, we conducted follow-up work to assess implementation of the recommendation. This memorandum summarizes the results of our follow-up work.

Overview

Our audit recommended DOC revise policy relating to the Inmate Welfare Fund (IWF) in three areas. We recommended clarifying what items and activities should be considered allowable IWF expenses, removing indigent kits from the list of allowable IWF expenses, and aligning policy with current practice in processing requests for IWF. We found through follow-up work that DOC implemented all three parts of our recommendation. The department updated its IWF policy in August of 2023 to address the areas of concern outlined in our audit.

Background

The IWF is authorized in statute and managed by the department. The purpose of the IWF is to provide monies to enhance programs and services for inmates and for individual release assistance. The IWF should not be used to provide services, supplies, or equipment that the department or facility is required to provide for the health, welfare, and safety of inmates, or the general operation of the prison. For example, the IWF should not be used to finance beds, medical supplies, or basic cafeteria food. Revenue for the IWF is mostly inmate generated--coming from telephone usage fees and the sale of canteen items (total IWF revenue was approximately \$875,000 in FY2021). All secure facilities housing state inmates, including contracted facilities and those managed directly by the department, participate in the IWF.

Our audit included a review of samples of IWF revenue and expenditure line items from the state's accounting system between fiscal years 2019 and 2021, as well as interviews with department and contractor staff and inmate representatives. Most IWF expenses we reviewed were appropriate based on statute and department policy. However, we identified some inappropriate and questionable IWF expenses, as well as some inconsistencies in how the IWF was being administered across facilities. Many of the inappropriate IWF expenses we identified occurred due to clerical errors or staff turnover. The questionable IWF expenses we identified in the audit included:

- Items provided to indigent inmates
- Equipment used for inmates to do legal research
- Annual license renewal fees for a GED study program

Our audit resulted in one recommendation to the department to amend IWF policy in three areas: to provide clarity on what items and activities qualify as appropriate expenses, to remove items for indigent inmates from the list of appropriate expenses, and to reflect actual practices and expectations regarding the processing of requests for funds.

Audit Follow-up Results

The following sections summarize the progress toward implementation of the report recommendation. Follow-up work included reviewing the new IWF policy, interviewing department staff to understand the implementation of IWF policy changes, and reviewing IWF transactions from the state's accounting system since the audit.

Recommendation #1

We recommend the Department of Corrections revise and implement department policy related to the Inmate Welfare Fund to:

- A. Add clarity on what items and activities qualify as appropriate expenses.**
- B. Remove items for indigent inmates from allowable IWF expenses.**
- C. Reflect current practice and expectations regarding the processing of requests for funds.**

Implementation Status – *Implemented*

Based on our follow-up work, we determined that department implemented all three parts of our recommendation. The department's efforts in the three areas of our recommendation are discussed below.

- A. Our audit identified some inappropriate and questionable IWF expenses, some of which occurred due to varying interpretations of IWF policy across facilities. For example, we found some correctional facilities authorized IWF funds to pay for expenses that benefited only one inmate, like a professional license renewal fee, while other facilities indicated this would not be eligible for IWF funding. In the August 2023 IWF policy update, the department revised the list of allowable IWF expenses and specified that expenses must "benefit multiple inmates." Of the questionable IWF expenses we identified in the audit, we verified the department reimbursed the IWF for the equipment used by inmates to do legal research and the annual license renewal fees for the GED study program. As part of follow-up work, we reviewed IWF expenses since the audit from the state's accounting system. We did not identify any inappropriate IWF expenses.
- B. Since the audit, the department modified its policy to remove indigent kits from the list of allowable IWF expenses. As part of a larger budgetary request, the department received additional funding to pay for indigent kits out of their general operating budget in the 2023 Legislative Session. Department staff indicated that items provided in indigent kits will remained unchanged despite this funding shift.
- C. Our audit found that administrative requirements for the request of IWF funds were not uniformly followed by all facilities. The department's IWF policy update since the audit included a number of changes to the way funding requests are processed. The department no longer separates the IWF into funding for individual facilities and funding for individual release assistance (formerly called the Global Fund). Additionally, the funding request form was modified to more clearly explain the justification for IWF requests and to handle recurring expenses more consistently. The policy update also shifted approval of IWF requests of \$2,500 or more from the Prison Issues Board to the Chief Financial Officer of the department. Department staff indicated this change will help increase scrutiny of large IWF requests and consistency. The updated IWF policy was distributed to facility administrators via email and to inmates via tablets within the facilities in the fall of 2023. Department staff noted they intend to do a quarterly review of a sample of IWF transactions to check for compliance with IWF policy.