



Correctional Service
Canada

Service correctionnel
Canada



SAFETY, RESPECT
AND DIGNITY
FOR ALL

LA SÉCURITÉ,
LA DIGNITÉ
ET LE RESPECT
POUR TOUS

Audit of Inmate-Related Financial Transactions

Internal Audit

378-1-248

July 30, 2009

Canada

Table of Contents

EXECUTIVE SUMMARY	3
1.0 INTRODUCTION	5
2.0 AUDIT OBJECTIVES AND SCOPE	7
2.1 Audit Objectives	7
2.2 Audit Scope	7
3.0 APPROACH AND METHODOLOGY	7
4.0 AUDIT FINDINGS AND RECOMMENDATIONS	8
4.1 Management Framework	8
4.1.1 Policies and Directives	8
4.1.2 Roles and Responsibilities	9
4.1.3 Training	9
4.1.4 Monitoring	10
4.2 Compliance with Policies – Inmate Pay (CD 730)	11
4.2.1 Approval and Review of Inmate assignments and Pay Level	11
4.2.2 Suspensions	13
4.2.3 Notifications	13
4.3 Compliance with Policies – Inmate Money (CD 860)	14
4.3.1 Authorization and Approvals	14
4.3.2 Withdrawals and Limits	14
4.3.3 Deductions from Inmate income	15
4.3.4 Income and Other Monies Brought into Institutions	15
4.4 Recording of Transactions	17
4.4.1 Inmate Pay (CD 730)	17
4.4.2 Processing Controls (Reconciliation and Review) over Inmate Pay and Inmate’s Money	17
4.4.3 Inmate’s Money (CD860) – Transfers of Inmates between Institutions	17
4.4.4 Inmate’s Money (CD860) – Cash Transactions (Receipts and Disbursements)	18
4.5 Timely Information and Support Available to Inmates	19
4.5.1 Reporting	19
4.5.2 Inmate Support	19
Annex A	21
Annex B	22
Annex C	25
Annex D	26

EXECUTIVE SUMMARY

BACKGROUND

Correctional Service Canada (CSC) is responsible for the administration and recording of all inmate monies received or disbursed by CSC on behalf of inmates. Under the *Corrections and Conditional Release Act* (CCRA) and *Corrections and Conditional Release Regulations* (CCRR), CSC has the authority to authorize payment to offenders, to prescribe sources of income and to authorize deductions from inmates' money.

In support to the legislation, there are two main policies governing inmate related financial transactions. First, the Commissioner's Directive on Inmate Program Assignment and Payments has been designed to encourage inmates to participate in programs identified in their correctional plans. Second, the Commissioner's Directive on Inmate's Money has been established to: encourage inmates to budget so that funds are available for authorized expenditures and for their release; control the flow of money in institutions to ensure the safety of persons and the security of the penitentiary; and to establish Inmate Welfare Funds for the purpose of contributing to the welfare of inmates collectively or for recognized charitable purposes outside the institution.

While in federal custody, inmates do earn monies, such as the pay received for employment and participation in their correctional plans and from the sale of hobbies and crafts. They may also receive monies from other sources including family and friends or a pension from a private or government plan. These monies are deposited in an Inmate Trust Account and may be used to purchase items at the canteen, to donate to various charities or clubs, or to provide payments to their families. On an annual basis, the total amount of inmate pay is approximately \$19.5M, and it costs CSC approximately \$10M to administer all aspects of inmate pay and related transactions.

Inmate pay/inmate monies is one of the areas that CSC is currently examining as part of its Transformation Agenda¹ and more specifically, as it relates to the theme of Enhancing Offender Accountability. Further, controlling and monitoring the availability of funds also supports CSC's efforts to eliminate drugs within institutions. In that context, it is expected that the results of this audit will assist CSC in its transformation initiatives.

The objectives for this audit were:

- To assess if the management framework in place is adequate and effective to support the administration of inmate pay and related financial transactions;
- To assess compliance with policies for inmate pay levels and administration of inmate money;

¹ In 2008, CSC launched its Transformation Agenda in respond to an independent panel report: *Report of the Correctional Service of Canada Review Panel: A Roadmap to Strengthening Public Safety*. More information can be found at: <http://infonet/SoloSites/Transformation/home.htm?lang=en>

- To assess if financial transactions are recorded in an accurate, complete and timely manner; and
- To assess if financial information is reported to inmates on a timely basis.

In order to achieve these objectives, the audit team reviewed key documentation and examined relevant policies and directives. In addition, the audit team visited 15 institutions and carried out detailed audit tests and conducted interviews with national, regional and institutional staff, as well as with inmates.

OVERALL CONCLUSION

The results of this audit indicate that key elements of the management framework are in place to support inmate pay and related financial transactions: policies are in place; roles and responsibilities are understood and training is provided. With respect to compliance, we found that inmate pay levels are reviewed and approved at admission as required. Inmate pay levels are commensurate with the inmate's evaluation. Pay level notifications to inmates are also generally administered in compliance with policies. In addition, the results of our audit indicate that inmate financial transactions are properly authorized and recorded and that adequate financial information and support is provided to inmates to answer questions on transactions and account balances.

Nonetheless, opportunities for improvement were noted in the following areas:

- Within the policies, clarification is needed to improve consistency and compliance related to the use of Warden's exemptions and the use of current versus savings accounts for certain types of purchases. An update to CD 730 is also required to reflect the requirement for the implementation of a Correctional Intervention Board.
- Further guidance is required for cash disbursements upon release.
- A review of information needed on file to support the pay level evaluations and of the need to conduct periodic (every three months) evaluations should be completed, and as required, additional guidance should be provided to staff.
- A review of current measures in place to manage the entry of suspect illicit money should also be done, and as required, additional measures and guidance should be provided to staff.
- Finally, additional analysis and performance monitoring could assist CSC in improving its practices as limited monitoring activities are currently in place at the institutional, regional and national level.

RECOMMENDATIONS

Recommendations have been made in the report to address identified areas for improvement. Management has reviewed and agrees with the findings contained in this report and a Management Action Plan has been developed to address the recommendations (see **ANNEX D**).

1.0 INTRODUCTION

CSC is responsible for administering and recording all inmate monies received or disbursed by CSC on behalf of inmates. CSC also administers the payroll for inmates on assignments or work programs. The systems used to administer the inmate related financial transactions include the Inmate Accounting System (IAS) the Integrated Financial and Materiel Management System (IFMMS), and the Canteen Point of Sale System (POS). The annual cost to administer the pay and financial transactions for inmates is approximately \$10 Million.

Inmates earn monies from such sources as employment and participation in their correctional plans. They also receive monies from the sale of hobbies and crafts or other custom work. They may also receive monies from family and friends or other sources such as a pension plan. Inmates use money to purchase items, to donate to various charities or clubs, or even to provide payments to their families. Inmates do not usually physically retain any monetary currency within the institutions. In certain minimum security level institutions however, inmates are allowed to retain a minimal amount of monetary currency for use in vending machines, to buy newspapers etc. The total amount of inmates' pay for each of the last three fiscal years averaged approximately \$19.5 million per year.

Several legislative and policy instruments govern inmate-related financial transactions. The legislation framework includes: the *Corrections and Conditional Release Act* (CCRA), and the *Corrections and Conditional Release Regulations* (CCRR). The *Corrections and Conditional Release Act*, section 78 provides that the Commissioner may authorize payments to offenders for the purpose of: encouraging offenders to participate in programs provided by the Service, or providing financial assistance to offenders to facilitate their reintegration into the community. Section 104.1 (1) of the *Corrections and Conditional Release Regulations* (CCRR) specifies various sources of income – while Section 104 (2) provides for deductions to be made from inmate income. Relevant section of the *Financial Administration Act* (FAA) and the Treasury Board of Canada (TB) policies related to: *Specified Purpose Accounts*, *Deposits* and *Departmental Bank Accounts* are also applicable. Finally, these various requirements are consolidated in two Commissioner's Directives; Inmate Program Assignment and Payments (CD 730) and Inmates' Money (CD 860).

The Commissioner's Directive on Inmate Program Assignment and Payments has been designed to encourage inmates to participate in programs identified in their correctional plans. The Commissioner's Directive on Inmate's Money has been established to: encourage inmates to budget so that funds are available for authorized expenditures and for their release; control the flow of money in institutions to ensure the safety of persons and the security of the penitentiary; and to establish Inmate Welfare Funds for the purpose of contributing to the welfare of inmates collectively or for recognized charitable purposes outside the institution.

Inmate Program Assignment and Payments (Commissioner`s Directive - CD 730)

Inmates earn a bi-weekly pay based on their participation in programs identified in their correctional plans. The level of pay awarded (ranging from \$5.25 to \$6.90/day) is commensurate with their participation in their correctional plan. CORCAN employment is favoured by inmates as the rates of pay are higher (up to \$20.70/day). However, participation is limited to approximately 1,700 available positions. Roughly 4,000 inmates participate in CORCAN programs over the course of a year.

An allowance of \$2.50/day is awarded to inmates who are unable to participate in a program assignment for reasons beyond their control; for example, sickness, or no work available. Inmates who refuse to participate in assignments offered by CSC get a basic allowance of \$1.00/day. In cases where an inmate gets suspended from a job, no allowance or pay is provided during the period of suspension.

The different rates of pay as per CD 730 are presented in **ANNEX A**.

Inmates' Money (Commissioner`s Directive - CD 860)

An Inmate Trust Fund is set up for each inmate. The accounts maintained for each inmate include Savings, Current and Canteen accounts. As well, accounts for the Inmate Welfare Committee, Inmate-owned Canteens and various clubs for the inmate population at large are maintained.

Roles and Responsibilities

Organizationally, at the national level, the responsibility for inmate pay and inmate monies as it relates to correctional operations and programs falls under the Assistant Commissioner, Correctional Operations and Programs whereas the recording and accounting of the financial transactions is under the responsibility of the Assistant Commissioner, Corporate Services. At the regional level, the Regional Deputy Commissioners are responsible for the implementation of inmate related financial transaction policies. At the institutional level, the wardens are responsible for the day to day running of all programs and processes including those related to inmate pay and inmate monies.

Inmate Grievances

As part of the formal Offender Compliant and Grievance Process, inmates can lodge grievances including those related to inmate pay and related financial transactions. In 2007-08, approximately 4,000 grievances (representing 25% of total grievances) were related to inmate-related financial transactions. Over 800 (21%) were upheld or partially upheld. The main issues for grievances were related to inmate accounts, inmate canteen, inmate pay administration and Program Board decisions.

2.0 AUDIT OBJECTIVES AND SCOPE

2.1 Audit Objectives

The objectives for this audit were:

- To assess if the Management Framework in place is adequate and effective to support the administration of inmate pay and related financial transactions;
- To assess compliance with policies for inmate pay levels and administration of inmate money;
- To assess if financial transactions are recorded in an accurate, complete and timely manner, and
- To assess if financial information is reported to inmates on a timely basis.

The audit criteria for each audit objective can be found in **ANNEX B**.

2.2 Audit Scope

The audit was national in scope and included processes, practices and information systems in place to support compliance with relevant Commissioner's Directives (CD) and with relevant TBS and CSC policies and procedures. The audit included visits to 15 institutions in all five regions. The audit examined a sample of inmate-related financial transactions incurred during 2007-08, covering all types of financial transactions. The scope also included revenue and other deposits into inmate accounts as well as withdrawals from and transfers among current, savings and canteen accounts.

3.0 APPROACH AND METHODOLOGY

Audit evidence was gathered through the following techniques:

- **Analytical Review:** An analytical review was conducted at the preliminary stage of the audit to determine trends in inmates' pay and help in site selection.
- **Risk Analysis:** As part of the planning process, a preliminary assessment of the control framework supporting inmate-related financial transactions processes was carried out to identify potential areas of risk.
- **Review of Documentation:** Relevant documentation such as process documentation, procedure manuals and training material was collected and reviewed.

- **Interviews:** 71 Interviews were conducted across all five regions with those involved in inmate related financial transactions including inmates.
- **Testing:** A sample of approximately 50 different types of transactions were conducted at each of the 15 institutions visited to determine compliance with CD 730 and CD 860 and to assess whether accounting and pay-related transactions were being documented and recorded accurately. We also reviewed a series of management control processes such as reconciliations and handling of cash.

A cross-section of institutions was included in the audit (see **ANNEX C** for a listing of sites visited) in consideration of the following factors -

- Security classification (maximum, medium, minimum);
- Inmate population size; and
- Analysis of pay at the various pay levels.

4.0 AUDIT FINDINGS AND RECOMMENDATIONS

4.1 Management Framework

We assessed the extent to which an appropriate management framework is in place to support the administration of inmate pay and related financial transactions. This included a review of policies and procedures, roles and responsibilities, tools and training and monitoring activities.

4.1.1 Policies and Directives

We expected to find that CSC policies and directives were clear and consistent with the CCRA / CCRR and applicable TB policies and directives.

CSC Commissioner Directives 730 and 860 relating to Inmate Related Financial Transactions are consistent with legislation and TB policies; however, some clarifications are needed.

CSC policies and directives on inmate pay and inmate monies are consistent with legislation and TB policies. However, as noted in Sections 4.2 and 4.3 of the report, clarification is needed in certain areas to improve consistency and compliance such as, the use of Warden's exemptions and the use of current versus savings accounts for certain types of purchases. An update to CD 730 is also required to reflect the requirement for the implementation of a Correctional Intervention Board² for all

² Under CD-730 (dated August 1999), the institutional head is required to establish a Program Board to review program assignments and pay levels. Under the revised Institutional Management Structure (effective June 2008), Program Board has been replaced by Correctional Intervention Board, to be chaired alternatively by Manager, Assessment and Intervention, and the Manager, Programs and approve assignments to correctional and educational programs. It discusses problematic cases, reviews

institutions replacing the former Program and Unit Boards. Furthermore, a review of the current measures in place to manage the entry of suspect illicit money should be undertaken, and as required, additional measures or guidance should be provided to staff.

4.1.2 Roles and Responsibilities

We expected to find that roles and responsibilities are clearly defined, documented and understood.

Overall, staff understand their roles and responsibilities related to inmate pay administration and related financial transactions.

Roles and responsibilities of finance staff involved in administering inmate related transactions are formally documented in generic work descriptions. We found that assigned roles and responsibilities were relatively consistent across regions and understood by staff. Almost 40% of staff interviewed indicated that their site had developed Standard Operating Procedures documenting roles and responsibilities which have been passed down from one employee to another.

With respect to inmate pay decisions, no concerns were identified relating to roles and responsibilities. Under the Institutional Management Structure Guidelines, the Program Manager is responsible to make decisions relating to inmate pay, work assignments and reassignments. In cases where there is a disagreement or an appeal, the Correctional Intervention Board will be convened to review the case.

4.1.3 Training

We expected to find that tools exist to support the implementation of directives and that training for inmate-related financial transactions (training on systems, processes and applications) is clear, sufficient and provided, where required, in a timely manner.

Training is provided to staff involved in inmate pay administration and related financial transactions, as needed.

Training of new financial staff is provided “on the job” by experienced colleagues, leveraging their knowledge, as well as on-line for the applications. Interviewees indicated that there is a steep learning curve for new employees due to the many types and large numbers of transactions, ranging from inmate purchases to the release of inmates, collection of fines, and calculation of room and board. However, no major concerns were identified.

decisions for complex cases and detention referrals. It will also review cases where there is a disagreement related to inmate pay, work assignment or reassignment.

Although there is no specific training for inmate pay, no concerns were noted from the Program Managers interviewed.

GOOD PRACTICE

- An Inmate Accounting Staff user group has been created in the Atlantic region to standardize procedures and share good practices.
- Several institutions have developed Inmate Accounting “Frequently Asked Questions” material such as brochures, hand-outs and desktop procedures.

4.1.4 Monitoring

We expected to find that monitoring practices are adequate to ensure compliance with inmate related financial transactions policies and practices.

There are limited monitoring practices over inmate pay and related financial transactions; reviews are not being conducted on a regular basis to analyze, compare and explain trends and variances.

There is no systematic monitoring to assess compliance with inmate related financial policies and practices at the institutional, regional and national level. The inmate pay amounts are reviewed as part of the regular forecasting and budgeting process, however, the costs are scrutinized only at a very high level. We found no evidence of systematic formal reviews to analyze, compare or explain trends and variances although the issue of inconsistent applications of pay level has been raised from time to time. In some cases, we would have expected targeted analysis of withdrawal and transfer limits as it could be relevant information in the movement of inmate funds. Furthermore, as we noted previously, inmate pay and related financial transactions are often the subject of grievances and complaints by inmates, an effective performance monitoring regime could assist in addressing some of the issues raised.

The Atlantic Region is currently reviewing inmate pay as part of its Transformation Action Plan. The result of the regional review and the audit findings included in this report should assist CSC in identifying key areas that would benefit from additional analysis and performance monitoring with a view to improve its practices.

Conclusion

Key elements of the management framework are in place to support inmate pay and related financial transactions: policies are in place; roles and responsibilities are understood and training is provided.

Nonetheless, improvement is required in the following areas:

- Within the policies, clarification is needed to improve consistency and compliance related to the use of Warden's exemptions and the use of current versus savings accounts for certain types of purchases. An update to CD 730 is also required to reflect the requirement for the implementation of a Correctional Intervention Board. A review of current measures in place to manage the entry of suspect illicit money should also be done, and as required, additional measures and guidance should be provided to staff.
- Finally, additional analysis and performance monitoring could assist CSC in improving its practices as limited monitoring activities are currently in place at the institutional, regional and national level.

RECOMMENDATION 1

The Assistant Commissioner, Correctional Operations and Programs in collaboration with the Assistant Commissioner, Corporate Services should:

- Clarify and update the policies where needed; and
- Enhance performance monitoring mechanisms.

4.2 Compliance with Policies – Inmate Pay (CD 730)

Commissioner's Directive 730 sets out the expectations relating to the initial assessment and approval of pay levels. It also details requirements for follow-up reviews, suspensions and lockdown incidents, as well as notifications of decisions affecting inmate's pay. We assessed the extent to which CSC is compliant with this Directive.

4.2.1 Approval and Review of Inmate assignments and Pay Level

We expected to find that individual inmate pay levels are determined and approved by the Correctional Intervention Board or Program Manager on admission, and periodically reviewed³, in accordance with CSC directives and policies, and that these pay levels are commensurate with the inmates' participation in their correctional plans.

Inmate pay levels are being reviewed and approved on admission; however, periodic reviews are not always completed on a timely basis.

While performed differently across CSC, the processing of inmate pay (i.e. inputting pay decisions in OMS and transferring this information to IAS) was performed in compliance with the Directive upon admission.

³ There is a requirement to review inmate assignments and pay levels periodically; monthly for those inmates who refuse work and program assignments, and, every three months for those in work and program assignments.

Interviews and testing determined that pay levels are being reviewed and approved upon admission of inmates at 14 of the 15 sites visited. In one site, these reviews at admission were not always being conducted in a timely manner. With respect to the periodic review, we found that they are not always completed on time. An analysis conducted as at December 2008 indicated that overdue 3 month pay level reviews ranged from 18% (605 reviews overdue in the Prairies) to 44% (1,634 reviews overdue in Ontario). Staff indicated that the process was perceived as cumbersome, time-consuming, and as adding little value. As a result, some Correctional Officers may not have been inclined to complete the three-month reviews on a timely basis.

Inmate pay levels were commensurate with inmates' evaluations reviewed; however, there were inconsistencies in the information available to support these evaluations.

Inmates are awarded a level of pay commensurate with their participation in their correctional plan. The range of pay goes from Level A pay (\$6.90/day) for those who consistently meet their correctional plan for an extended period of time to Level D pay (\$5.25/day) for those who participate in a work assignment but refuse to participate in any other program assignment specified in their correctional plan.

Based on our review of inmate employment files and supporting information in the Offender Management System (OMS), inmate pay levels, including pay incentives from CORCAN, are commensurate with the evaluations of the inmate's overall participation in the program assignment. However, we noted inconsistencies in the information available to support pay level decisions. It should be noted that there is no guidance in CD 730 in terms of information required on file to support pay level decisions. Concerns were raised by certain Program Managers about the process followed by some Correctional Officers and whether all of the information sources were sought in establishing the three-month review. Certain sites require the Correctional Managers to review and sign off on the evaluation; this additional step was cited as helping to enhance the evaluation process. Our file review also revealed that in these cases more information was on file to support the decision taken.

GOOD PRACTICE

- Joliette has implemented an evaluation template which provides for additional information in support of any decisions taken, thus enhancing the quality of the information.
- In Sainte-Anne-des-Plaines and Archambault, Correctional Managers sign off on inmate evaluations, thereby enhancing the information that supports pay-related decisions and performance ratings.

Pay level for Warden's exemptions were applied inconsistently across institutions.

Under CD 730, the institutional head may, under exceptional circumstances, authorize in writing, pay for inmates at levels for which they would not otherwise be eligible. We found that Warden's exemptions being granted varied across institutions. For example, in several institutions the institutional head authorized level A pay to all inmates who work in certain jobs that are difficult to fill, such as kitchen and institutional services. In other institutions, Warden's exemptions were not granted to certain positions/jobs; they were granted on specific individual cases and documented accordingly.

4.2.2 Suspensions

We expected to find that suspensions from a program assignment (including school, employment and programs) due to an inmate's refusal to participate in a program assignment or unauthorized leave, are reviewed and assessed by the CIB or Program Manager in accordance with policies and that these decisions are communicated appropriately to the inmate. In addition, we expected to find that inmates are not being paid during the suspension period.

The administration of suspensions, including the processing of inmates' pay is generally compliant with policies and procedures.

Our tests confirmed that inmates were not being paid during the suspension period. Further, the inmates were given verbal notification and an opportunity to appear before the CIB, as needed. We noted no issues during our interviews with Inmate Committee members.

4.2.3 Notifications

Pay-level notifications are generally being provided to inmates in accordance with policies.

Based on our file review, we found that notifications in writing are generally being provided to inmates in the prescribed timeframes (2 days for suspensions, 5 days for other Correctional Intervention Board decisions). In some cases, there was no evidence on file to support the timeliness of the written notifications, and we were informed that in these cases, there is usually verbal notification within the prescribed timelines. Further, no issues regarding notifications were raised by inmates during interviews.

CONCLUSION

Inmate pay levels are being reviewed and approved on admission. Inmate pay levels are commensurate with inmates' evaluations reviewed; however, there are inconsistencies in the information available to support these evaluations. Further, periodic (every three months) reviews are not always completed on a timely basis. We

also noted inconsistencies in the application of Warden's exemptions and this issue has been addressed under Recommendation #1.

Finally, administration of suspensions and pay-level notifications are generally compliant with policies.

RECOMMENDATION 2

The Assistant Commissioner, Correctional Operations and Programs should:

- assess the need and, as required, provide additional guidance with respect to the information needed on file to support the inmate's evaluation of overall participation in the program assignment; and
- assess if the periodic reviews are necessary in all cases, or if these could be streamlined, with key indicators prompting a full evaluation.

4.3 Compliance with Policies – Inmate Money (CD 860)

We reviewed the extent to which CSC is compliant with the relevant policies and procedures in CD's 860 supporting the administration of inmate money.

4.3.1 Authorization and Approvals

We expected to find appropriate authorization or approvals for disbursements from inmate accounts and the Inmate Welfare and Club Fund accounts in accordance with CSC directives and policies.

Disbursements from inmate accounts, the Inmate Welfare and Club Fund accounts are approved in accordance with policies.

CD 860 allows the institutional head, or delegate to authorize specific disbursements from inmates' current accounts such as purchases of hobby craft, family assistance and transfer of money from the savings to the current account.

Our audit found that the institutional head's approval of disbursements from inmate accounts has been delegated differently across sites. For example, at some institutions inmate requests for disbursements come directly to the Warden for approval (e.g. purchases over \$500), while at other institutions, the approval for all expenses have been delegated to other staff. Nonetheless, our audit tests confirmed that disbursements were being approved in accordance with the delegations.

4.3.2 Withdrawals and Limits

We expected to find withdrawals, limits and deductions to inmate accounts to be in compliance with the limits set out in the CD 860.

Withdrawals are treated inconsistently across institutions; compliance with policies is contingent on differing interpretations.

CD 860 does provide some parameters for which the current and the savings accounts may be used. However, our audit found that some regions and sites have developed their own interpretations of what purchases should be withdrawn from the current versus the savings accounts. As a result, there is inconsistency in the application of the policies across CSC. For example, in one region, medical expenses are being deducted from the savings account while other regions and sites withdraw medical expenses from the current account.

Transfers between the savings and current accounts are generally being conducted in accordance with the policies.

We found that CSC was in compliance with the treatment of a maximum of four transfers per year; where more than four transfers per year were made from the savings to the current account, the institutional head approved them.

4.3.3 Deductions from Inmate income

Deductions from inmates' income are being made in accordance with CSC directives and policies.

There are three types of permissible deductions from the inmate's income: reimbursement of any indebtedness to the Crown (internal fines); contributions to the Inmate Welfare Fund; and room and board.

Under CD 860, room and board can be waived or reduced by the institutional head in specific cases providing the circumstances and rationale underlying any such decision is documented on the inmate's file. We reviewed the listing of inmates' pay over \$69 per pay period⁴, by taking a sample of those who had supplementary income (e.g. government pension) and verified that room and board was being deducted unless a waiver had been granted by the institutional head. Based on our testing, deductions from inmates' income were generally made in accordance with CSC directives and policies.

4.3.4 Income and Other Monies Brought into Institutions

We expected to find that income earned and monies brought into the institution are processed in accordance to CSC directives and policies.

⁴ Room and Board is deducted from an inmate's pay if he receives over \$69 per pay period, unless he/she has been granted a waiver. These inmates include those who work for CORCAN, those who receive a government pension and those who sell hobby craft items.

Income earned and other monies brought into the institution are processed in accordance with policies. However, concerns were raised on the measures in place to control suspect money brought into the institutions.

Overall, income and other sources of monies (e.g. pension, money sent by families) brought into institutions are being processed in accordance with CSC directives and policies. We tested the processes to deal with income and other sources of monies entering into institutions and found them to be generally sound. For instance, all incoming cash and cheques are entered in a detailed log sheet, signed off by donors and secured by guards. The use of a receipt book was consistently evidenced, as was the controlled transfer of funds to inmate accounting for processing.

Interviewees raised concerns about the adequacy of the current mechanisms in place to stop the entry of suspect money into inmates' savings accounts. Paragraph 16 of CD 860 stipulates that money received for inmates from outside sources shall be deposited into the inmate's savings account. Furthermore, CD 860 (paragraph 17) states that *where there are reasonable grounds to suspect that money arriving from an outside course may involve illicit activity, the police should be called.* At the institutional level, these cases are referred to the Security Investigation Officer (SIO) who would then refer them to the police, if warranted.

The police, in conjunction with the SIO, are responsible for verifying the legitimacy of suspect funds. CSC does not have the authority to withhold an inmate's funds, even if they are suspect, and the police must therefore be contacted in these situations. Additional clarification regarding this issue is contained in Policy Bulletin 244 dated 24 January 2008 which establishes timeframes in which holds can be placed on funds entering an institution.

Nonetheless, CSC senior management have informed the audit team that through the implementation of enhanced security measures, including additional security intelligence analyst positions, a review of current CSC practices will be undertaken and as required additional measures and guidance will be provided to staff.

CONCLUSION

Overall we found that disbursements and deductions from inmate accounts, and transfers between savings and current accounts are generally administered in compliance with policies.

However, we noted that withdrawals from current accounts versus savings accounts are treated inconsistently across institutions and the need for clarification on this issue has been addressed under Recommendation #1.

Finally, while income and monies brought into institutions are being processed in accordance with policies, concerns have been raised with the adequacy of the

measures in place with respect to suspect money arriving from an outside source and this issue has also been addressed in Recommendation #1.

4.4 Recording of Transactions

We reviewed decisions affecting inmate pay, review of inputted transactions and reconciliations, inmate transfers, monitoring, and receipt and disbursement of cash.

4.4.1 Inmate Pay (CD 730)

We expected to find that decisions affecting inmate pay levels are accurately reflected in the supporting pay systems on a timely basis.

Inmate pay levels were accurately reflected in the supporting pay systems on a timely basis.

With the exception of one site, our testing indicated that inmate pay levels were accurately reflected in the pay system in a timely manner. For that site, the information in the pay system was not always updated in a timely manner.

4.4.2 Processing Controls (Reconciliation and Review) over Inmate Pay and Inmate's Money

We expected to find that the processing of transactions across the multiple, related systems (IAS, POS, IFMMS) involving manual and electronic processing, is reviewed and that balance reconciliations are conducted on a timely basis to ensure that transactions are recorded accurately, completely and in a timely manner.

Reconciliations are performed at most institutions on a timely basis and they are periodically reviewed by regional headquarters.

Our audit testing revealed that monthly reconciliations between the Canteen Point of Sale System, the Inmate Accounting System and the Inmate Financial Management System are performed and posted on a timely basis at 13 out of the 15 sites visited. Two institutions have not been compliant in performing reconciliations due to staffing constraints. Reconciliations are being performed for different time periods by institutions (e.g. at two-week, monthly, or irregular intervals) and are periodically monitored by regional headquarters.

4.4.3 Inmate's Money (CD860) – Transfers of Inmates between Institutions

We expected to find that transfers of inmates' account information between institutions are authorized and recorded in an accurate, complete and timely manner.

Transfers of inmates' account information between institutions are being authorized and completed in an accurate and timely manner.

We tested the transfers between institutions for accuracy of recording and no errors were found. The transfer of inmates' account information between institutions in different regions is occurring on average between two to fourteen days.

4.4.4 Inmate's Money (CD860) – Cash Transactions (Receipts and Disbursements)

We expected to find that the receipt and disbursement of money is conducted in accordance with TBS and CSC directives and policies.

The disbursement of money upon release of an inmate is being conducted in accordance with policies; however, institutions have varying practices when determining the allocation of the disbursement between cash and cheque.

Institutions are following different practices when issuing monies to inmates upon release (i.e. amount in cash versus. amount in cheque), as there is no guidance in CD 860 related to the allocation. In some regions, cash payment is made for the entire balance, while inmates in other regions are released with a maximum of \$200 in cash and the remainder in a Departmental Bank Account (DBA) cheque.

Concern was raised by interviewees regarding the growing numbers of inmates being released with large amounts of cash as a result of factors such as the tobacco ban in institutions as well as the Indian Residential Schools settlement cheques.

GOOD PRACTICE

Inmates in the Pacific and Quebec region are released with a maximum of \$200 in cash and the remainder in a DBA cheque.

CONCLUSION

Overall, inmate pay levels are accurately reflected in the supporting pay systems, reconciliations are performed at most institutions, transfers of inmates' account information between institutions, and disbursement of monies upon release are being conducted in accordance with policies. However, further guidance is required for the allocation of cash versus cheque upon release.

RECOMMENDATION 3

The Assistant Commissioner, Correctional Operations and Programs in collaboration with the Assistant Commissioner, Corporate Services, should:

- Provide additional guidance for cash disbursements upon release.

4.5 Timely Information and Support Available to Inmates

We expected to find that accurate and timely information concerning their financial transactions and account balances was available to inmates and that appropriate support was available to answer inmate questions related to their financial transactions and account balances if needed.

While the frequency and timeliness of reporting varied across institutions, adequate information and support is generally available to inmates.

4.5.1 Reporting

Although the frequency and timeliness of reporting varied across institutions, most sites are providing, at a minimum, a monthly statement. No concerns were raised regarding the information provided to the Inmate Committee members we interviewed.

GOOD PRACTICE

In the Atlantic region, Program staff use the Inmate Balance System, available through the CSC internet site (InfoNet), to look up and access current balances for inmates, rather than requesting a printout from finance

4.5.2 Inmate Support

Interviews indicated that support is available to address inmate inquiries made directly to the Inmate Accounting Staff or Inmate Pay Clerk by phone or written request or indirectly through the Inmate Committee. The Inmate Committee members interviewed indicated that they were generally pleased with the level of inmate pay and accounting support that inmates receive.

GOOD PRACTICE

- Springhill institution has developed an FAQ brochure for inmates regarding inmate pay, accounting, and statements
- Several institutions, including Matsqui and Ferndale, provide an inmate accounting and statement orientation to incoming inmates at the reception centre.
- At Matsqui, Archambault, and Pittsburg institutions, an inmate acts as a liaison between all inmates and finance staff.

CONCLUSION

Overall, adequate financial information and support to answer questions on transactions and account balances are provided to inmates in a timely manner.

Annex A

Inmate Pay

Inmates earn a bi-weekly pay based on their participation in programs identified in their correctional plans; there are six (6) different rates of pay. Money earned through Inmates' pay are deposited into the inmate's account by finance. The different rates of pay as per CD 730 are presented below.

- **Level A pay** (\$6.90/ per day) is awarded to inmates who have been earning level B pay for at least the previous three months and have met the certain performance standards, such as no absences, excellent attitude, etc... in relation to all program assignments in their correctional plan.
- **Level B pay** (\$6.35/ per day) is awarded to inmates who have met the list of performance standards, such as good attendance, participation, good relationships, etc..., in relation to all program assignments in their correctional plan for at least the three previous months.
- **Level C pay** (\$5.80/ per day) is awarded to inmates who participate in a program assignment specified in their correctional plan and who participate in a program assignment recommended by the case management team before a correctional plan has been finalized.
- **Level D pay** (\$5.25/ per day) is awarded to inmates who participate in a work assignment but refuse to participate in any other program assignment specified in their correctional plan; or in the absence of a correctional plan, refuse to participate in any other program assigned by the Board. This includes inmates who are appealing their sentence and/or conviction and refuse a program assignment for reasons related to the appeal.
- An **allowance of \$2.50/ per day (Level E = unemployed)** is awarded to inmates who are unable to participate in a program assignment for reasons beyond their control, for example sickness, and no work available.
- A **basic allowance of \$1/ per day** is awarded to inmates who refuse to participate in all assignments offered by the Correctional Intervention Board.

In cases where an inmate gets suspended from his job, no allowance or pay is provided (also called **Zero Pay**). Such a suspension is assessed by the Correctional Intervention Board within 5 days and measures taken as appropriate.

Inmates working for CORCAN may receive their level of pay, together with an incentive pay not exceeding a total of \$20.70 per day.

Annex B

AUDIT OBJECTIVES AND CRITERIA

OBJECTIVES	CRITERIA
<p>1. To assess if the Management Framework in place is adequate and effective to support the administration of inmate pay and related financial transactions</p>	<p>1.1 <i>Policies and procedures</i> – CSC policies, guidelines and manuals are clear and consistent with relevant acts and TBS policies and directives.</p> <p>1.2 <i>Roles and responsibility</i> – CSC roles and responsibilities are clearly defined, understood and documented.</p> <p>1.3 <i>Training/Awareness</i> - Training for inmate related financial transactions is clear, sufficient, and available and is provided where required in a timely manner.</p> <p>1.4 <i>Monitoring</i>– Monitoring practices and controls are adequate to ensure compliance with inmate’s financial transactions’ policies and practices and effective risk management.</p>
<p>2. To assess compliance with policies for inmate related pay levels.</p>	<p>2.1 <i>Approval and review of inmate pay levels</i> – Individual inmate pay levels are determined and approved by the Correctional Intervention Board on admission, and periodically reviewed, in accordance with CSC directives and policies and these pay levels are commensurate with the inmates participation in their correctional plan.</p>

OBJECTIVES	CRITERIA
	<p>2.2 <i>Suspension</i> – Suspension from a program assignment due to the inmate’s refusal to participate in a program assignment or unauthorized leave are reviewed and assessed by the Correctional Intervention Board in accordance to CSC directives and policies. In addition, inmates are not paid during the suspension period.</p> <p>2.3 <i>Notification of decisions</i> – Written notification of decisions regarding pay levels and suspensions are provided to inmates in accordance with CSC directives and policies.</p>
<p>3. To assess compliance with policies for the administration of inmate money.</p>	<p>3.1 <i>Authorization and approvals</i> - Appropriate authorization and approvals for disbursements from inmate accounts and the Inmate Welfare and Club Fund accounts are made in accordance with CSC directives and policies.</p> <p>3.2 <i>Withdrawals and limits</i> – Withdrawals made by inmates or Inmate Welfare and Club Fund accounts are in compliance with the limits set out in the CSC directives and policies (e.g. allocation of receipts, deductions, withdrawals, disbursements, transfers from one account to another).</p> <p>3.3 <i>Deductions from inmate income</i> - Deductions from inmates’ income are made in accordance with CSC directives and policies.</p> <p>3.4 <i>Income and other sources of monies</i> – Income and all other money brought into the institution are processed in accordance to CSC directives and policies.</p>

OBJECTIVES	CRITERIA
<p>4. To assess if financial transactions are recorded in an accurate, complete and timely manner.</p>	<p>4.1 <i>Inmate pay</i> – Decisions affecting inmate pay levels are accurately reflected in the supporting pay systems on a timely basis.</p> <p>4.2 <i>Review of inputted transaction and balance reconciliations</i> – Processing of transactions across the multiple, related systems (IAS, POS, IFMMS) involving manual and electronic processing is reviewed and balance reconciliations are conducted on a timely basis to ensure that transactions are recorded accuracy, completely and in a timely manner.</p> <p>4.3 <i>Transfer of inmates account</i> – Transfer of inmates account information between institutions are authorized and completed accurately, and in a timely manner.</p> <p>4.4 <i>Monitoring/review</i> - Reviews are conducted to analyze, compare and explain trends and financial variances.</p> <p>4.5 <i>Cash transactions</i> – Receipt and disbursement of cash is conducted in accordance with TB and CSC directives and policies. As well, there is sufficient segregation of duties for the handling and recording of cash transactions.</p>
<p>5. To assess if financial information is reported to inmates on a timely basis.</p>	<p>5.1 <i>Reporting</i> – Accurate, timely, information concerning financial transactions and account balances is available to inmates in support of their financial transactions (e.g. monthly statements, POS balance of account).</p> <p>5.2 <i>Support available</i> – Appropriate support is available to answer inmate questions related to their financial transactions and account balances if needed.</p>

Annex C

SITES SELECTED

REGION	INSTITUTION
Atlantic	<ul style="list-style-type: none"> • Atlantic (maximum) • Dorchester (medium) • Springhill (medium)
Quebec	<ul style="list-style-type: none"> • Archambault (medium) • Joliette (multi-level) • St Anne des Pleines (minimum)...
Ontario	<ul style="list-style-type: none"> • Bath (medium) • Millhaven (maximum) • Pittsburgh (minimum)
Prairies	<ul style="list-style-type: none"> • Drumheller (medium) • Rockwood (minimum) • Stony Mountain (medium)
Pacific	<ul style="list-style-type: none"> • Ferndale (minimum) • Kent (maximum) • Matsqui (medium)

Annex D

**AUDIT OF SUPPORTING INMATE-RELATED FINANCIAL TRANSACTION
MANAGEMENT ACTION PLAN**

RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
<p>Recommendation #1: The Assistant Commissioner, Correctional Operations and Programs, in collaboration with the Assistant Commissioner Corporate Services should:</p> <ul style="list-style-type: none"> • Clarify and update the policies where needed; and • Enhance performance monitoring mechanisms 	<ul style="list-style-type: none"> • Amend CD 730 and CD 860 to achieve cost/administrative efficiencies. Amendments will update issues such as source of trust fund (current or savings) to pay for medical supplies (Technical amendments to CD 860); increase to annual limit for transfer between savings and current account; • amending the number of pay levels; etc. • An initial Cost Benefit Analysis (CBA) has been completed on the options developed by the Steering Committee on Inmate Finances. (Updated Cost Benefit Analysis) • Review current data outlining existing pay levels by Region/Security classification is being conducted to determine where efficiencies can be generated. • Based on preceding data, examine process used by Region with lowest pay output as potential model. 	<p>ACCOP ACCS</p>	<p>March 2010</p> <p>September 2010</p> <p>March 2011</p> <p>March 2010</p> <p>December 2009</p> <p>March 2010</p>

RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
	<ul style="list-style-type: none"> • Consult with Regions on workload impact and proposed options for pay level reductions. • Monitoring mechanisms will be examined in conjunction with Corporate Services whereby potential reduction in number of pay levels will be analyzed for implementation. • Consult with Regions regarding standardization of process for pay levels. • Review current measures in place to manage the entry of suspect illicit money and as needed make necessary improvements. (Policy Bulletin and Technical amendments to CD860) 		<p>September 2010</p> <p>September 2010</p> <p>October 2010</p> <p>December 2010</p>
<p>Recommendation #2: The Assistant Commissioner, Correctional Operations and Programs should:</p> <ul style="list-style-type: none"> • Assess if additional guidance is required with respect to the information available on file to support the inmate’s evaluation of overall participation in the program assignment; and • Assess if the periodic reviews are necessary in all cases, or if these could be streamlined, with key indicators prompting a full evaluation. 	<ul style="list-style-type: none"> • Review Regional “Best Practices” with respect to identifying those institutions which have achieved efficiencies in using information to determine pay level assignments and their administration. • Establish a process reflective of the preceding model and determine its viability for national implementation (i.e., Correctional Intervention Boards & Correctional Plan Progress Reports) based on OPI consultations. 	ACCOP	March 2010

RECOMMENDATION	ACTION SUMMARY	OPI	PLANNED COMPLETION DATE
	<ul style="list-style-type: none"> Review the necessity of reviewing pay level assignments every 3 months through Regional consultations. 		
<p>Recommendation #3: The Assistant Commissioner, Correctional Operations and Programs, in collaboration with the Assistant Commissioner, Corporate Services, should:</p> <ul style="list-style-type: none"> Provide additional guidance for cash disbursements upon release. 	<ul style="list-style-type: none"> A review will be conducted of Regional disbursements to determine the feasibility of augmenting the limit. The process will be done in conjunction with the Security Division and the Comptroller Branch. 	ACCOP ACCS	May 2010