

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

January 31, 2018

Quincy L. Booth, Director
Department of Corrections
2000 14th Street, N.W., Seventh Floor
Washington, DC 20009

Angelique H. Rice, Associate Chief Financial Officer
Public Safety and Justice Cluster
1100 4th Street, S.W., Suite 730E
Washington, DC 20024

Dear Mr. Booth and Ms. Rice:

Enclosed is the Department of Corrections (DOC)'s Inmate Welfare Fund (IWF) Management Letter Report issued by the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) for the year ended September 30, 2017. This report is part of the Audit of the Inmate Welfare Fund's Financial Statements for the year ended September 30, 2017 conducted under job code (OIO No. 18-02-02 IWF) issued on January 31, 2018.

The purpose of this communication is to describe, for management and those charged with governance, our observations and recommendations to improve the Department of Corrections' Inmate Welfare Fund internal control and operating efficiencies recognized during our audit engagement. Accordingly, this communication is not intended to be and should not be used for any other purpose.

The Department of Corrections (DOC)'s management concurred with our recommendation and provided corrective actions taken and planned to address the finding cited in the report. We consider the corrective actions taken and planned to be responsive to our recommendation. The full text of the agency response is included as Appendix 1. Should you have any questions, please call me at (202) 442-6433, or Tisha Edwards, Internal Audit Director at (202) 442-6446.

Sincerely,

A handwritten signature in black ink that reads "Timothy Barry".

Timothy Barry, Executive Director
Office of Integrity and Oversight

cc: see Distribution List

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Office of Integrity & Oversight

**Government of the District
of Columbia, Office of the
Chief Financial Officer**

January 31, 2018

**Management Letter of
the Inmate Welfare
Fund Financial
Statements for Fiscal
Year Ended
September 30, 2017**

**MANAGEMENT LETTER OF THE INMATE WELFARE FUND FINANCIAL
STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Finding 1: The Service Organization Controls Report (SOC 1 Report) was not obtained from the vendor.

SYNOPSIS

During our audit of the Department of Corrections' Inmate Welfare Fund (IWF) Financial Statements for the Fiscal Year ended September 30, 2017 and the underlying supporting documentation, the Department of Corrections (DOC)'s was unable to provide the SOC 1 Report from the canteen vendor (Keefe).

This condition occurred because: a) DOC's Cooperative Agreement with Keefe does not contain a provision for the vendor to provide a SOC 1 Report; and b) staff was unaware of the existence of the report. As a result, management cannot ensure the reliability of the vendor's system data.

DISCUSSION

The Statement on Standards for Attestation Engagements (SSAE) 18, Service Organization Controls Report (SOC 1 Report), is a report on controls at a service organization (i.e., Keefe) which is relevant to user entities' (i.e., Department of Corrections) internal control over financial reporting. It is generally applicable when an auditor is planning the financial statement audit of a user organization that obtains services from a service organization. The user auditor may need to gain an understanding of the controls at the service organization to properly plan the audit and evaluate control risks.

In today's global economy, service organizations must demonstrate that they have adequate controls and safeguards when they host or process data belonging to their customers. The primary objective of the SOC 1 Report is to provide the reader with information about the internal controls and security practices at a service organization. It represents that a service organization has been through an in-depth examination of their control objectives and control activities, which often include controls over information technology and related processes for the user entity to rely on vendor's systems data.

The District's Department of Corrections was unable to provide the SOC 1 Report for Keefe. Keefe's system hosts and process data for the Department of Corrections canteen services. Placement and returns of orders for canteen items are processed through the Keefe system. Without the SOC 1 Report, management cannot ensure the reliability of the vendor's system data.

**MANAGEMENT LETTER OF THE INMATE WELFARE FUND FINANCIAL
STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

RECOMMENDATION:

We recommend the Director, Department of Corrections:

1. Include, as part of the Cooperative Agreement between KEEFE and the District's Department of Corrections, the SOC 1 Report, and obtain the report from the vendor to ensure reliability of the vendor's system data.

MANAGEMENT'S RESPONSE AND OIO COMMENTS:

Management's Response (Recommendation 1)

DOC's management concurred with the recommendation and stated that they will obtain the SOC 1 Report from Keefe to confirm dependability for the vendor's canteen system data.

OIO Comments

DOC's corrective actions are responsive and meet the intent of the recommendation.

APPENDIX 1: DOC'S MANAGEMENT RESPONSE

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CORRECTIONS**



Office of the Director

January 30, 2018

Timothy Barry, Executive Director
Office of Integrity and Oversight
Office of the Chief Financial Officer
1100 4th Street, S.W., Suite 750
Washington, D.C. 20024

Dear Mr. Barry:

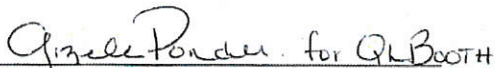
Our comments regarding the Management Letter of the Inmate Welfare Fund (IWF) financial statements for the fiscal year ending September 30, 2017 are as follows:

Finding 1: The Service Organization Controls Report (SOC 1 Report) was not obtained from the vendor.

Recommendation: We recommend the Director, Department of Corrections:

1. Include, as part of the Cooperative Agreement between Keefe and the District's Department of Corrections, the SOC 1 Report, and obtain the report from the vendor to ensure reliability of the vendor's system data.

Response: We concur with the recommendation and will obtain the SOC 1 Report from Keefe to confirm the dependability and adequate internal controls are in place for the vendor's canteen system.


Quincy L. Booth, Director
Department of Corrections


Angelique Hayes Rice
Associate Chief Financial Officer
Public Safety and Justice Cluster