

**STATE OF WEST VIRGINIA**  
**AUDIT REPORT**  
**OF**  
**NORTHERN CORRECTIONAL FACILITY**

**FOR THE PERIOD**  
**JULY 1, 1996 - JUNE 30, 1999**



**OFFICE OF THE LEGISLATIVE AUDITOR**  
**CAPITOL BUILDING**  
**CHARLESTON, WEST VIRGINIA 25305-0610**

NORTHERN CORRECTIONAL FACILITY

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1999

**WEST VIRGINIA LEGISLATURE**  
*Joint Committee on Government and Finance*

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To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of the Northern Correctional Facility.

Our examination covers the period July 1, 1996 through June 30, 1999. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Thedford L. Shanklin".

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Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division

**NORTHERN CORRECTIONAL FACILITY**

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**NORTHERN CORRECTIONAL FACILITY**

**EXIT CONFERENCE**

We held an exit conference on November 9, 1999 with the Warden and other representatives of the Northern Correctional Facility and all findings and recommendations were reviewed and discussed. The agency's responses are included in bold and italics in the Summary of Findings, Recommendations and Responses and after our findings in the General Remarks section of this report.

## NORTHERN CORRECTIONAL FACILITY

### INTRODUCTION

#### West Virginia Division of Corrections

The Division of Corrections, formerly a major division within the Department of Public Institutions, was established under Chapter 70, Acts of the Legislature in 1977. Under the executive reorganization of 1989, corrections became a division of the Department of Public Safety (now the Department of Military Affairs and Public Safety). The Commissioner of the Division of Corrections directs the state's adult correctional system. In November, 1997, oversight of the juvenile correctional institutions was transferred to the newly created Division of Juvenile Services.

The Division of Corrections system consists of eleven adult facilities: Mount Olive Correctional Complex at Mount Olive, Northern Correctional Facility at Moundsville, Ohio County Correctional Center at Wheeling, St. Marys Correctional Center at St. Marys, Huttonsville Correctional Center at Huttonsville, Pruntytown Correctional Center at Grafton, Denmark Correctional Center at Hillsboro, Beckley Correctional Center and work release centers at Charleston and Huntington. The agency also operates one young adult offender facility--Anthony Center at Neola.

The Commissioner is also responsible for the supervision of parolees assigned to the division's custody or accepted through the Interstate Compact. The state's correctional system is responsible for approximately 3,300 incarcerated adults, 95 youthful offenders and approximately 1,320 persons under probation and parole supervision.

### **Northern Correctional Facility**

With the closing of the West Virginia Penitentiary at Moundsville, the Northern Regional Jail and Correctional Facility (NRJ&CF) was dedicated on August 24, 1994. NRJ&CF was established to help lessen the economic impact of the old penitentiary's closing on the City of Moundsville. The uniqueness of this facility is that this is the first time that the two correctional entities are under one roof. The facility houses both the Regional Jail Authority and Division of Corrections inmates. This facility received its first inmates on the Corrections side on August 31, 1994, and on the Jail Authority side on October 23, 1994. On the Corrections side, the custody level is from a minimum to a maximum level with a general capacity of 250 inmates.

The Corrections part of the dual facility is designed in a popular manner. Each housing unit, or "pod", is divided into eight separate sections of eight or sixteen beds. Each

section has a day room, and each pod includes two secure outdoor recreation areas with a security wire-mesh cover. The facility has a gymnasium which not only serves as an indoor recreation area but can also serve as a staging area or emergency holding area. Separate interior spaces are provided for attorney/client visits, contact and non contact visits, an up-to-date law library, a reading library, classrooms, post office, commissary, laundry service and a chapel.

Inmates who are sentenced to the facility serve the community in a variety of work programs inside as well as outside of the facility. Substance abuse counseling, GED and Adult Basic Education programs are available to the inmates. Inmate medical care and food service are handled through Regional Jail Authority contractors. A clinical psychologist is contracted to serve the inmate population as are medical doctors and nurses. Counselors are on staff for entry and follow-up counseling.



**NORTHERN CORRECTIONAL FACILITY**  
**ADMINISTRATIVE OFFICERS AND STAFF**

**AS OF JUNE 30, 1999**

Paul Kirby ..... Commissioner, Division of Corrections

Evelyn Seifert ..... Warden  
(09/16/98 - Present)

Paul Kirby ..... Warden  
(07/01/96 - 09/15/98)

Jan Chamberlain ..... Director of Classification/  
Administrative Services

Karen Pszczolkowski ..... Director of Operations  
(10/16/98 - Present)

Dennis Eisenhauer ..... Director of Operations  
(07/01/96 - 05/31/98)

Dave Fromhart ..... Director of Programs

Rick Lohr ..... Director of Security

Sandy Bowen ..... Business Manager

Barbara Montes ..... Financial Secretary  
(03/01/99 - Present)

Georgia Pettit ..... Financial Secretary  
(07/01/96 - 02/28/99)

Ellen Strobe ..... Accounting Assistant

Sandra Miller ..... Trustee Clerk

**NORTHERN CORRECTIONAL FACILITY**

**SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES**

**Lack of Effective System of Internal Controls**

1. During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, Northern Correctional Facility did not have an effective system of internal controls in place to ensure compliance with applicable State laws. We believe an effective system of internal controls could have alerted management to these violations at an earlier date and allowed more timely corrective action.

**Auditor's Recommendation**

We recommend the agency comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls.

**Agency's Response**

***The Division acknowledges the lack of effective Internal Control and has hired one Accountant with plans for one additional Auditor for field services. (See pages 22-27)***

**Commissary**

2. During our examination, we noted the agency did not maintain documentation for commissary transactions

including receipts for purchases, sales receipts or inventory records. We documented \$155,330.49 in absent vendor invoices/sales receipts related to purchases made by commissary staff to replenish stock or to make special purchases for inmates for the period August 30, 1994 through December 31, 1998. Also, evidence was found of items being purchased with commissary funds and then given to inmates free of charge. One particular inmate commissary worker was given several items costing approximately \$410 which were not charged to his inmate account. In addition, we noted several purchases totaling \$3,327.52 made with commissary funds which were unrelated to the operation of the commissary.

**Auditor's Recommendations**

We recommend the agency comply with the provisions of Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. In addition, we recommend the agency comply with Section II of the Division of Corrections Policy Directive 367.03.

**Agency's Response**

***These problems have been corrected and procedures have been established to prevent their reoccurrence. (See pages 27-33)***

### **Employee Association**

3. The Northern Regional Jail and Correctional Facility Employee Association (Association) received funds totaling \$3,697.55 from the commissary account and \$129.33 from commissions earned on pay telephones located in the lobby of the institution. These funds should have been deposited into the Inmate Benefit Fund and the State General Revenue Fund respectively.

### **Auditor's Recommendations**

We recommend the agency comply with the provisions of Chapter 12, Article 2, Section 2(b) of the West Virginia Code, as amended, as well as Section II of the Division of Corrections Policy Directive 367.03. We further recommend all funds erroneously diverted to the private account be reimbursed to the proper accounts.

### **Agency's Response**

*The practice of depositing 10% of staff commissary sales into the employee association ceased December 1998. All profits from the Commissary account will be deposited into the Inmate Benefit Fund and a repayment schedule as recommended will be devised for the repayment of these monies to the Inmate Benefit Fund. (See pages 34-36)*

**Warden's Special Account**

4. A check for \$335.00 was drawn on the Warden's Special Account and issued to the Association to replace missing employee donations. The funds were later repaid by the employee who issued the check. This account was established to pay parole and discharge allowances to inmates and to advance travel expenses related to inmate escort. We believe the monies maintained in this account were used for a purpose for which they were not appropriated.

**Auditor's Recommendation**

We recommend the agency comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and the Division of Corrections Policy Directive 627.01.

**Agency's Response**

*We concur with the finding of the improper expenditure reimbursing the employee association from this account. We disagree with the finding of the payment of the discharge allowance from this account for an inmate from St. Mary's Correctional Center. (See pages 36-39)*

**Interagency Agreement Between Regional Jail Authority  
and Division of Corrections**

5. An interagency agreement between the Regional Jail Authority (RJA) and the Division of Corrections (DOC) calls for DOC to pay all operating and maintenance expense at the facility and then receive reimbursement from RJA for their pro rata share. The agreement, however, does not specify how that pro rata share is to be calculated or determined. This may have resulted in DOC subsidizing the Regional Jail operation. In addition, we noted that the Division of Corrections has paid regional jail expenses totaling approximately \$52,000 that are not related to the operating or maintenance expenses of the facility.

**Auditor's Recommendations**

We recommend that clearer language be included in the interagency agreement to define the method by which future reimbursements are to be made by the RJA to the DOC regarding the RJA's pro rata share of expenditures incurred in the operation and maintenance of the NRJ&CF. We further recommend the Northern Correctional Facility comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

**Agency's Response**

*We are currently renegotiating the agreement to include the pro rata share of expenditures for the operation of the facility excluding those expenditures made directly by the Regional Jail Authority for the Jail side operation.*

*(See pages 39-43)*

**Telephone Commissions**

6. We could locate no statutory authority which permitted Northern Correctional Facility to deposit telephone commissions into the Inmate Benefit Fund instead of the State's General Revenue Fund. The telephone commissions generate, based on a monthly average of \$11,476.76, approximately \$137,721.12 per year.

**Auditor's Recommendations**

We recommend the Northern Correctional Facility comply with the provisions of Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. We also recommend the agency deposit all future telephone commissions into the General Revenue Fund.

**Agency's Response**

*We will request Legislation be enacted permitting the deposit of these monies into a Special Revenue Fund to be appropriated by the Legislature so we may continue to*

*provide services not required by law or court order, yet critical in the management of a prison environment, at no expense to the taxpayer. (See pages 43-45)*

**Erroneous Expenditures**

7. We noted several erroneous expenditures including ten duplicate payments totaling \$11,864.52 and 85 instances of Northern Correctional Facility paying utilities and taxes for Prison Industries totaling \$62,651.32. We also noted expenditures made on behalf of Ohio County Correctional Center and St. Mary's Correctional Center totaling \$17,109.94. In addition, we noted 32 instances totaling \$6,582.00 in which the agency paid the rental fee for the copier in the law library during fiscal years 1997 through 1999 using State appropriations instead of from monies maintained in the facility's IBF.

**Auditor's Recommendations**

We recommend the agency comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and collect the amounts overpaid on the duplicate payments. We further recommend the agency comply with the provisions of the Division of Corrections Policy Directive 653.00.



**Agency's Response**

*Vendors have been notified of duplicate payments and we are in process of receiving checks for duplicate payments. Prison Industries is not required by statute to pay utilities cost at facilities. (See pages 45-50)*

**Credit Card Purchases**

8. We noted four instances totaling \$473.34 where duplicate payments were made to vendors with one payment being made by credit card and the other from invoice through the State system. We also noted instances where invoices were split to stay under the \$1,000 limit for credit card purchases.

**Auditor's Recommendation**

We recommend the agency comply with the State of West Virginia Purchasing Card Policies and Procedures as well as the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

**Agency's Response**

*During the implementation of the Purchasing card program, these errors did occur. We have since hired an Auditor who is responsible for the oversight responsibility of this program. (See pages 50-54)*

**Trustee Accounts**

9. In our examination of the trustee accounts we noted monies belonging to the Inmate Benefit Fund and several miscellaneous accounts were being maintained in the same bank account as the inmate trust funds. We also noted these accounts were not being reconciled to the bank statement.

**Auditor's Recommendation**

We recommend the agency comply with the provisions of Chapter 25, Article 1, Section 3a of the West Virginia Code.

**Agency's Response**

*We agree that the various sources of funds must be separated in outside approved bank accounts. The agency's trust account will be separate from any other account and will be reconciled monthly with the bank statements. (See pages 55-58)*

**Contract Monitoring**

10. The agency has not implemented an effective plan to monitor contracts. This has resulted in an overpayment to the Food Services and Medical Services Contractors. In the three months tested the overpayment totaled \$2,948.41

to the food service vendor and \$660.94 to the medical service provider.

**Auditor's Recommendation**

We recommend the agency establish a procedure to monitor all contracts to ensure compliance with the terms of those agreements.

**Agency's Response**

*We will monitor the billings by both providers more closely and attempt to discuss the medical monthly billings with the Regional Jail Authority, as we do not have the population reports for all of the regional jails to insure that invoices are adjusted accordingly. (See pages 58-63)*

**Unclaimed Inmate Monies**

11. During our examination of the agency's local bank accounts, we noted as of July 31, 1998 there was a total of \$2,386.67 representing unclaimed inmate monies being maintained in these accounts. If these monies have not been claimed after the passage of one year, then these monies are to be classified as abandoned property and turned over to the Treasurer's Office in accordance with State law. Agency personnel told us the agency has not attempted to locate former inmates who were either paroled

or discharged in order to pay such inmates any monies owed to them.

**Auditor's Recommendation**

We recommend the agency comply with the provisions of Chapter 25, Article 1, Section 3a of the West Virginia Code as well as Chapter 36, Article 8, Sections 2, 8 and 13 of the West Virginia Code.

**Agency's Response**

***We will comply with this audit recommendation. (See pages 63-66)***

**Professional Service Contracts**

12. We noted that the agency paid \$15,097.50 to a vendor for providing psychological services to inmates during fiscal year 1997 without obtaining a contract. We also noted that the agency paid an outside barber a total of \$786.00 for providing hair cuts to Regional Jail inmates for three months during fiscal year 1997 without obtaining a contract or purchase order.

**Auditor's Recommendation**

We recommend the agency comply with Sections 2.1.2 and 8.1.3 of the West Virginia Department of Administration's Agency Purchasing Manual, as amended.

**Agency's Response**

*Misunderstanding that medical/psychological services from an individual provider did not need Purchasing's approval. It should be noted that the regulations did change in 1998 whereby we are required to obtain bids, which we have, but these individual medical professional contracts do not require Purchasing's approval. (See pages 66-68)*

**Equipment Inventory**

13. We noted 16 instances of the agency not properly tagging computer equipment or including those items on the agency's physical inventory listing. These items are valued at \$6,090.00.

**Auditor's Recommendation**

We recommend the facility comply with Section 3.11 of the Purchasing Division's Inventory Management and Surplus Property Disposition Handbook.

**Agency's Response**

*All equipment has been properly tagged and included on the inventory listing as recommended. (See pages 69 and 60)*

**Law Library**

14. We noted three instances in which typewriters for the law library totaling \$627.84 were purchased with monies from the Inmate Benefit Fund (IBF). The State is mandated to

provide these materials and, therefore, they should not have been purchased out of the IBF.

**Auditor's Recommendation**

We recommend the Northern Correctional Facility comply with the Division of Corrections Policy Directives 367.03 and 653.00.

**Agency's Response**

***We will purchase typewriters from State appropriated accounts in accordance with the Policy Directive. (See pages 70-71)***

**Inmate Benefit Fund**

15. We noted five instances in which monies from the Inmate Benefit Fund totaling \$41,500.00 were loaned to other correctional facilities without working out a repayment plan. We also noted three instances totaling \$1,057.07 in which landscaping supplies were also purchased with monies from the IBF.

**Auditor's Recommendation**

We recommend the agency comply with the Division of Corrections Policy Directives 367.03 and 653.00.

**Agency's Response**

***The outstanding balances will be paid via a repayment plan. (See pages 71-74)***

### Overtime Compensation

16. During our examination of overtime payments, we noted three employees were overpaid a total of \$241.11 while four other employees were underpaid a total of \$311.88. We also noted over the period July 1, 1996 through June 30, 1999 seven employees employed in an executive capacity were paid overtime compensation amounting to \$32,336.01.

### Auditor's Recommendations

We recommend the agency comply with the provisions of Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended. We also recommend the agency pay overtime only as required by Section 13.92(a)1 of the "Fair Labor Standards Act".

### Agency's Response

*The agency acknowledged that clerical errors did occur and that steps have been taken to ensure the amount of overtime hours will be checked on a consistent basis. Also, the agency is in compliance with the "Fair Labor Standards Act", as it does not preclude payment of overtime hours to exempt employees. (See pages 74-77)*

**NORTHERN CORRECTIONAL FACILITY**

**GENERAL REMARKS**

**INTRODUCTION**

We have completed a post audit of the Northern Correctional Facility (NCF). The audit covered the period July 1, 1996 through June 30, 1999.

**GENERAL REVENUE ACCOUNT**

Expenditures required for the general operations of the Northern Correctional Facility were paid from the following appropriated account:

<b><u>FUND NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
0450-534 .....	Northern Correctional Facility

**LOCAL ACCOUNTS**

In order to have cash available for specific local operations, local bank accounts are used for managing funds required on a day-to-day basis. These local accounts are described as follows:

**Trustee Drawing Account**

To maintain monies received from inmates upon entering the facility, as well as, all monies sent to such inmates or earned by such inmates as compensation for work performed while incarcerated. Inmates utilize the funds maintained in this



account through the use of payment vouchers and receive the balance of their account upon parole or discharge.

**Retention Account**

To maintain 10% of all monies earned by inmates while incarcerated as required by State law. These monies cannot be utilized by inmates in any manner until paroled or discharged from the facility when they will receive the balance of any funds maintained in this account. This is the only interest bearing savings account maintained by the facility, while the remaining local accounts are commercial checking accounts which earn no interest.

**Commissary Account**

To maintain funds from the sale of commissary goods to inmates and agency personnel. Monies maintained in this account are used to pay various vendors to replenish stock supplies in the commissary.

**Warden's Special Account**

To maintain cash advances received from the central office for the payment of expenditures relating to the parole or discharge of inmates. Cash advances designated as security travel advances are used for the transporting of inmates.

### **Staff Barbershop Account**

To maintain funds received from the sale of barbershop tickets to agency personnel. Monies are disbursed from this account to pay for the services of the inmate barber and to purchase various barber supplies.

### **Auxiliary Recreation Account**

To maintain funds received from the sale of soft drink cans gathered by inmates and sold for recycling. The proceeds received from such sales are used to purchase recreational supplies and equipment for the benefit of the entire inmate population. This account was closed on December 14, 1998 with the remaining balance transferred to the Trustee Drawing Account.

### **COMPLIANCE MATTERS**

Chapter 25, Article 1 of the West Virginia Code generally governs the Northern Correctional Facility. We tested applicable sections of the above plus other applicable chapters, articles, and sections of the West Virginia Code as they pertain to financial matters. Our findings are discussed below.

### **Lack of Effective System of Internal Controls**

During the course of our examination, it became apparent to us, based on the observed noncompliance with the West Virginia Code, Northern Correctional Facility did not have an effective system of internal controls in place to ensure

compliance with applicable State laws. Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, states in part:

"The head of each agency shall:

... (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...."

This law requires the agency head to have in place an effective system of internal controls in the form of policies and procedures set up to ensure the agency operates in compliance with the laws, rules and regulations which govern it.

During our audit of Northern Correctional Facility, we found the following noncompliance with State laws or other rules and regulations: (1) The agency did not maintain documentation for commissary transactions including receipts for purchases, sales receipts or inventory records. Also, evidence was found of items being purchased with commissary funds and then given to inmates free of charge. In addition we noted several purchases made with commissary funds which were unrelated to the operation of the commissary. (2) The Northern Regional Jail and Correctional Facility Employee Association (Association) received funds totaling \$3,697.55 from the commissary account and \$129.33

from commissions earned on pay telephones located in the lobby of the institution. These funds should have been deposited into the Inmate Benefit Fund and the State General Revenue Fund respectively. (3) A check for \$335.00 was drawn on the Warden's Special Account and issued to the Association to replace missing employee donations. The funds were later repaid by the employee who issued the check. This account was established to pay parole and discharge allowances to inmates and to advance travel expenses related to inmate escort. (4) An interagency agreement between the Regional Jail Authority (RJA) and the Division of Corrections (DOC) calls for DOC to pay all operating and maintenance expense at the facility and then receive reimbursement from RJA for their pro rata share. The agreement, however, does not specify how that pro rata share is to be calculated or determined. This may have resulted in DOC subsidizing the Regional Jail operation. (5) We could locate no statutory authority which permitted Northern Correctional Facility to deposit telephone commissions into the Inmate Benefit Fund instead of the State's General Revenue Fund. The telephone commissions generate, based on a monthly average of \$11,476.76, approximately \$137,721.12 per year. (6) We noted several erroneous expenditures including ten duplicate payments totaling \$11,864.52 and 85 instances of Northern Correctional Facility

paying utilities and taxes for Prison Industries totaling \$62,651.32. We also noted expenditures made on behalf of Ohio County Correctional Center and St. Marys Correctional Center totaling \$17,109.94. In addition, we noted 32 instances totaling \$6,582.00 in which the agency paid the rental fee for the copier in the law library during fiscal years 1997 through 1999 using State appropriations instead of from monies maintained in the facility's IBF. (7) We noted four instances totaling \$473.34 where duplicate payments were made to vendors with one payment being made by credit card and the other from invoice through the State system. We also noted instances where invoices were split to stay under the \$1,000 limit for credit card purchases. (8) In our examination of the trustee accounts we noted monies belonging to the Inmate Benefit Fund and several miscellaneous accounts were being maintained in the same bank account as the inmate trust funds. We also noted these accounts were not being reconciled to the bank statement. (9) The agency has not implemented an effective plan to monitor contracts. This has resulted in an overpayment to the Food Services and Medical Services Contractors. In the three months tested the overpayment totaled \$2,948.41 to the food service vendor and \$660.94 to the medical service provider. (10) During our examination of the agency's local bank accounts, we noted as of July 31, 1998 there

was a total of \$2,386.67 representing unclaimed inmate monies being maintained in these accounts. Agency personnel told us the agency has not attempted to locate former inmates who were either paroled or discharged in order to pay such inmates any monies owed to them. (11) We noted that the agency paid \$15,097.50 to a vendor for providing psychological services to inmates during fiscal year 1997 without obtaining a contract as required by the Department of Administration's Purchasing Division. We also noted that the agency paid an outside barber a total of \$786.00 for providing hair cuts to Regional Jail inmates for three months during fiscal year 1997 without obtaining a contract or purchase order as required by the Department of Administration's Purchasing Division. (12) We noted 16 instances of the agency not properly tagging computer equipment or including those items on the agency's physical inventory listing. These items are valued at \$6,090.00. (13) We noted three instances in which typewriters for the law library totaling \$627.84 were purchased with monies from the Inmate Benefit Fund (IBF). (14) We noted five instances in which monies from the Inmate Benefit Fund totaling \$41,500.00 were loaned to other correctional facilities without working out a repayment plan. We also noted three instances totaling \$1,057.07 in which landscaping supplies were also purchased with monies from the IBF. (15) During our

examination of overtime payments, we noted three employees were overpaid a total of \$241.11 while four other employees were underpaid a total of \$311.88. We also noted over the period July 1, 1996 through June 30, 1999 seven employees employed in an executive capacity were paid overtime compensation amounting to \$32,336.01.

We recommend Northern Correctional Facility comply with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, and establish a system of internal controls.

**Agency's Response**

***The Division acknowledges the lack of effective Internal Control and has hired one Accountant with plans for one additional Auditor for field services.***

**Commissary**

During the period July 1, 1995 to December 31, 1998, we noted the agency did not maintain documentation, such as commissary voucher order forms and signed inmate receipts, to support purchases made by inmates from the commissary. In addition, we noted the commissary did not maintain a record of physical inventory counts taken for goods on hand during this period nor did they consistently maintain vendor invoices/sales receipts. We documented \$155,330.49 in absent vendor invoices/sales receipts related to purchases made by commissary

staff to replenish stock or make special purchases for inmates for the period August 30, 1994 through December 31, 1998. Thus, we were unable to perform extensive testing of commissary transactions.

During the course of our examination we shared notable items relating to commissary transactions with the Commission on Special Investigations and the Moundsville Detachment of the West Virginia State Police. Simultaneously, the State Police conducted a criminal investigation of the operation of the commissary and provided us with a copy of their official criminal investigation report.

Upon examination of the criminal investigation report we noted that several items were purchased with commissary funds for the benefit of certain inmates who were not required to pay for these items. The report references one particular inmate commissary worker who was given several items by civilian commissary employees while no charges were made to his inmate account. These items are detailed in the following table:

<u>Description</u>	<u>Quantity</u>	<u>Approximate Cost</u>
Seiko Kinetic Titanium Watch	1	\$259.99
Sony Play Station	1	\$129.99
Sony Play station CDS	5	Unknown
Play station Memory Card	1	\$20.00-\$40.00



Play station RFU adaptor	1	Unknown
Thermal Gray Tops	5	Unknown
Gray T-Shirts	5	Unknown
Gray Hooded Sweatshirt	1	Unknown

When questioned by the State Police, a former civilian commissary employee admitted giving the above items to the inmate as a reward for being a good worker.

The same former employee also stated inmates were allowed to take, or were given whatever food items or other items they wanted without being charged for them. In addition, this employee stated that was the way things were when she got there. She thought this was just standard practice.

The report also indicates commissary funds were used to purchase the following items: a woman's Telluride Insulated Jacket costing \$209.99; 14 karat gold (8) inch figure bracelet costing \$199.99; and an angel pendant costing \$99.99. The disposition of these items which inmates are prohibited from possessing is unknown. We believe this is in noncompliance with Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended, which states in part:

"(b) The head of each agency shall...Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect

the legal and financial rights of the state and of persons directly affected by the agency's activities...."

Agency personnel told us the agency did not maintain adequate documentation related to the operation of the commissary during this period. We learned the agency, sometime during the audit period, began scanning copies of itemized receipts generated with each inmate purchase onto a desktop computer system rather than maintaining hard copies of the actual receipts. Agency personnel were uncertain as to when this practice began; however, we were told that the desktop computer maintaining a record of inmate purchases had crashed during November 1998 and all data was lost. It was further explained to us this situation occurred because the storage capacity of the computer system had been exceeded.

Also, we requested the agency search their records for any documentation related to the operation of the commissary during the period August 1994 through December 1998. Agency personnel were unable to locate documentation related to the operation of the commissary for this period.

During our examination, we also noted four instances of miscellaneous purchases made from the commissary account totaling \$2,817.55 which were unrelated to the operation of the

commissary. These expenditures are detailed in the following schedule:

<u>Vendor</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
Gateway 2000	1/08/98	Desktop Computer	\$2,754.00
Neubauer's Flowers	11/17/95	Flowers	21.20
Neubauer's Flowers	3/20/96	Flowers	21.20
Neubauer's Flowers	1/7/97	Flowers	<u>21.15</u>
TOTAL			<u><u>\$2,817.55</u></u>

We noted the desktop computer purchased from Gateway 2000 had been assigned to central receiving. We subsequently located this computer in its assigned location. Per the State Police criminal investigation report, a former civilian commissary employee stated that staff flower purchases were always paid for from the commissary account and that this was normal practice.

We believe these purchases are in noncompliance with Section II of the Division of Corrections Policy Directive 367.03 which states in part,

"Profits from Exchange Sales - Profits, not needed to maintain adequate inventories and other operating expenses from the sales of the Inmate Exchange, will be classified as excess profits and added to the Inmate Benefit Account..."

The practice of utilizing commissary profits for purchases unrelated to the operation of the commissary means that monies which should have been deposited into the Inmate Benefit Fund were improperly used for the operation of the facility. When we brought it to their attention current employees responsible for overseeing the operation of the commissary stated they were unaware this laptop computer had been purchased with commissary funds.

We recommend the agency comply with the provisions of Chapter 5A, Article 8, Section 9(b) of the West Virginia Code, as amended. In addition, we recommend the agency comply with Section II of the Division of Corrections Policy Directive 367.03.

**Agency's Response**

*Concur with the finding of the lack of documentation and maintenance of records; inmates receiving goods free of charge from commissary; and several purchases made from this account unrelated to its operation.*

*The Warden initiated an internal investigation months prior to the commencement of this audit when unauthorized items were found in inmates' possession. During the course of this investigation and on into the audit period, a total of five employees working within the Commissary operation were either*

terminated or resigned. We were aware that a problem existed but not aware of the depth of the issue and at that time the investigation was referred to the State Police for resolution.

The commissary financial functions have been placed under the supervision of the Business Manager and the program function has been placed under the Director of Operations. They are currently in process of revising and developing new procedures governing the commissary's operation. Changes have already occurred whereby proper records are being maintained, reconciliation of accounts is performed, inmates are not "rewarded" with free commissary benefits, two original signatures from authorized list are required on all checks, approval by the Director of Operations is required for every purchase, supporting documentation is maintained on any special inmate orders, and purchases non related to the Commissary operations will not be approved.

The desktop computer was a related commissary purchase. The desktop contained the backup program in the event of system failure as recommended by the software vendor. It has been relocated to the Commissary area at this time.

## Employee Association

During the period July 1, 1996 through December 31, 1998, we noted 21 transfers of funds totaling \$1,864.91 from the commissary account to the NRJ&CF Employee Association (Association). Generally, each month a check representing 10% of staff purchases from the commissary for the month, and made payable to the Association would be written on the commissary account. We also noted ten transfers totaling \$1,832.64 from the commissary to the Association in fiscal year 1996. The Association maintains a local bank account funded primarily by donations and other miscellaneous receipts. These monies are utilized by agency employees for various purposes

In addition, we noted during the same period seven instances of the agency receiving telephone commissions totaling \$57.60 from AT&T which were subsequently remitted to the Association. We also noted an additional six instances totaling \$71.73 which occurred during fiscal year 1996. These commissions were monies earned from two pay phones maintained in the facility's lobby.

The disposition of commissary receipts is addressed by Section II of the Division of Corrections Policy Directive 367.03 which states in part:

"Profits from Exchange Sales - Profits, not needed to maintain adequate inventories and

other operating expenses from the sales of the Inmate Exchange, will be classified as excess profits and added to the Inmate Benefit Account..."

Miscellaneous receipts collected by the agency, such as telephone commissions, are to be accounted for in accordance with Chapter 12, Article 2, Section 2(b) of the West Virginia Code, as amended, which states in part:

"...All moneys, other than federal funds, defined in section two [§ 4-11-2], article eleven, chapter four of this code, shall be credited to the state fund and treated by the auditor and treasurer as part of the general revenue of the state...."

Agency personnel told us the former warden had directed staff to remit these monies to the NRJ&CF Employee Association. Funds which should have been deposited in the institution's Inmate Benefit Fund and the State General Revenue Fund were instead diverted into a private account.

We recommend the agency comply with the provisions of Chapter 12, Article 2, Section 2(b) of the West Virginia Code, as amended, as well as Section II of the Division of Corrections Policy Directive 367.03. We further recommend all funds erroneously diverted to the private account be reimbursed to the proper accounts.

**Agency's Response**

*The practice of depositing 10% of staff commissary sales into the employee association ceased December 1998. All profits from the Commissary account will be deposited into the Inmate Benefit Fund and a repayment schedule as recommended will be devised for the repayment of these monies to the Inmate Benefit Fund.*

**Warden's Special Account**

During our examination of disbursements made out of the Warden's Special Account, we noted two instances where monies paid out of this account were not spent in accordance with current policies of the Division of Corrections nor for the purposes for which the account was established. Specifically, this account was created to pay parole or discharge allowances and to provide travel advances for inmate escort.

We noted an instance in which a check (dated February 13, 1997) in the amount of \$335.00 had been drawn on this account and issued to the NRJ&CF Employee Association. Upon review of the agency's records, we were unable to determine the purpose of this expenditure. However, upon speaking with a former agency employee, we learned this check was issued to the employee association to cover \$335.00 in employee donations which were kept in a safe at the agency's business office and had



subsequently been misplaced. The former employee stated that these employee donations were monies belonging to the employee association. Instead of reporting the loss of these monies to the proper agency personnel, this former employee issued a check from the Warden's Special Account to the NRJ&CF employee association to cover the misplaced monies. This same employee personally reimbursed \$335.00 to the Warden's Special Account on September 19, 1997. Even though this account was reimbursed, we believe the monies maintained in this account were used for a purpose for which they were not intended.

We also noted one instance where the agency paid a total of \$52.10 representing clothing and transportation allowances to an inmate released from St. Mary's Correctional Center. According to the business manager, the inmate was paroled from St. Mary's at a time when St. Mary's was not set up for the parole/discharge process; thus, this agency completed the parole/discharge process. Since this inmate was incarcerated at St. Mary's, we believe it was that facility's responsibility to pay the clothing and transportation allowances. The business manager stated that she would request the money be reimbursed by St. Mary's. This disbursement was paid out of a parole/discharge advance received from the central office.

Each month the central office advances Northern Correctional Facility the necessary funds from its State appropriation to pay expenses related to the parole/discharge of inmates and the transporting of inmates. We believe the two expenditures described above were in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, which states,

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes."

In addition, section II of the Division of Corrections Policy Directive 627.01 states:

"PROCEDURE: Adult institution inmates being discharged by expiration of sentence, paroled, or released by Court Order from the WV Penitentiary, Huttonsville Correctional Center and Pruntytown Correctional Center will receive only a one-way bus fare to the original committing county or cost of a one-way fare if other transportation arrangements are made. Only in cases of dire need, as substantiated by the Warden or Superintendent, will clothing and cash allowance be provided."

In the first instance, appropriated funds were used by a private association for more than seven months and in the second instance funds appropriated to one institution were expended for the benefit of another institution.

We recommend the agency comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and the Division of Corrections Policy Directive 627.01.

**Agency's Response**

*We concur with the finding of the improper expenditure reimbursing the employee association from this account. We disagree with the finding of the payment of the discharge allowance from this account for an inmate from St. Mary's Correctional Center. The inmate was on a "temporary" assignment at St. Mary's from the Northern Facility. Inmates are assigned temporary duty at other facilities if skills are needed particularly during start up of new facilities.*

**Interagency Agreement Between Regional Jail Authority and Division of Corrections**

The Northern Regional Jail and Correctional Facility (NRJ&CF) is operated as a dual facility with two housing units serving inmates sentenced to the custody of the Division of Corrections (DOC), and two housing units serving as the replacement for the county jails of: Wetzel, Marshall, Ohio,

Brooke, and Hancock. Effective September 19, 1994, an interagency agreement was executed between the Regional Jail Authority (RJA) and the Division of Corrections (DOC) to address the operation of this shared facility.

Upon review of the interagency agreement between the parties, we noted the lack of a clear criteria as to how the RJA will reimburse the DOC for its pro rata share of expenditures incurred in the operation of the NRJ&CF. According to Division of Corrections central office personnel, an amount totaling \$472,000 per fiscal year was agreed upon by the two parties and was later increased to \$512,000 to adequately cover the Regional Jail share of expenditures. These amounts were agreed upon verbally and were not made a part of the interagency agreement. While central office personnel stated that the amounts were estimated to cover the Regional Jail's applicable expenditures, the agreement contains no rationale or formula for determining the Regional Jail's pro rata share of total expenditures for the operation and maintenance of the facility.

In our effort to determine the reasonableness of the agreed upon amounts mentioned above and in the absence of any expressed criteria in the interagency agreement, we chose to utilize the approximate square footage of the facility for determining the RJA's pro rata share of expenditures for the

period July 1, 1996 through June 30, 1999. Using the total square footage of the facility, we assigned each agency its proportional share of this amount. We estimated the Regional Jail Authority reimbursed 27% or approximately \$1,481,000 of the total shared amount of expenses for the facility. However, we believe that the Regional Jail Authority should have reimbursed approximately 35% or \$1,911,000 of the total shared expenses. Based on our calculations and the information available to us, it appears that the DOC may be subsidizing the Regional Jail's operations by as much as \$143,000 per year.

In addition, we noted that the Division of Corrections has paid regional jail expenses totaling approximately \$52,000 that are not related to the operating or maintenance expenses of the facility. We believe that the Division of Corrections subsidized the Regional Jail's operations by paying this amount.

We believe this is in noncompliance with the interagency agreement ratified between the RJA and DOC on September 19, 1994 concerning the operation of the NRJ&CF. Sections 8 and 14 of this agreement address the shared operation of the facility between the two agencies as follows:

"(8) The DOC agrees to pay all operating expenses associated with the upkeep, maintenance and operations of the entire Northern complex, and shall be reimbursed by the RJA in accordance with paragraph 14...

(14) ...to reimburse the DOC for the pro rata share of operating and maintenance expenses incurred by or on behalf of the regional jail area...."

We also believe that NCF's payment of regional jail expenses which did not relate to the operation or maintenance of the facility were in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, which states,

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes."

We recommend that clearer language be included in the interagency agreement to define the method by which future reimbursements are to be made by the RJA to the DOC regarding the RJA's pro rata share of expenditures incurred in the operation and maintenance of the NRJ&CF. We further recommend Northern Correctional Facility comply with the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended.

**Agency's Response**

***We are currently renegotiating the agreement to include the pro rata share of expenditures for the operation of***

*the facility excluding those expenditures made directly by the Regional Jail Authority for the Jail side operation. A tentative agreement has been drafted and is being reviewed which apportions the cost and reimbursement in line with the audit recommendation.*

**Telephone Commissions**

During fiscal year 1993, the Regional Jail and Correctional Facility Authority (the Authority) entered into a contract with Computer Integrated Communications, Inc. (CIC). Under this agreement CIC was allowed to install their coinless telephone systems in several regional jails and correctional facilities, including Northern Correctional Facility (NCF), and in return they agreed to pay a 38% commission to the Authority for all calls placed from these phones. NCF received the commissions on calls made from that facility.

NCF received these commissions from the time the facility opened until CIC declared bankruptcy in May 1997. For the last six months of that period the agency received an average of \$10,967.32 per month. No further commissions were received from CIC until July 1998. Since the resumption of the commissions, NCF has been receiving an average of \$11,476.76 per month or \$137,721.12 per year. All of the funds received from this source have been deposited into the facility's Inmate

Benefit Fund (IBF) with the exception of \$12,464.12 which did not clear the bank and was returned due to insufficient funds.

We believe this is in noncompliance with Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, which states in part:

"(a) All officials and employees of the state authorized by statute to accept moneys due the state of West Virginia shall keep a daily itemized record of monies so received for deposit in the state treasury and shall deposit within twenty-four hours with the state treasury all monies received or collected by them for or on behalf of the state for any purpose whatsoever...

(b) ...All monies, other than federal funds, defined in section two, article eleven, chapter four of this code, shall be credited to the state fund and treated by the auditor and treasurer as part of the general revenue of the state...."

Since the agency is depositing any commissions received to the facility's IBF instead of the General Revenue Fund, the State is not deriving any benefit from these funds. Division of Corrections' personnel have advised us the decision to deposit the aforementioned funds in the facility's IBF was based on the premise that the funds received are not the result of a State imposed fee and are generated from a service that is not financially supported by the State.



We recommend the Northern Correctional Facility comply with the provisions of Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended. We also recommend the agency deposit all future telephone commissions into the General Revenue Fund.

**Agency's Response**

*We previously stated our decision on depositing revenue into the Inmate Benefit Fund. (See Mount Olive Correctional Center Audit Plan) However, with the recommendation that monies should be deposited into the State's General Revenue Fund, we will request Legislation be enacted permitting the deposit of these monies into a special Revenue Fund to be appropriated by the Legislature so we may continue to provide services not required by law or court order, yet critical in the management of a prison environment, at no expense to the taxpayer.*

**Erroneous Expenditures**

We noted ten instances in which duplicate payments totaling \$11,864.52 were made to various vendors during fiscal years 1997 through 1999. Agency records indicate that two payments were made to settle the same invoice.

We also noted 85 instances in which Northern Correctional Facility paid utilities and taxes for Prison Industries totaling \$62,651.32 during fiscal years 1997 through

1999. Paying invoices for Prison Industries results in the agency not receiving the benefit of the expenditures. According to the business manager, the agency was instructed by the warden and central office staff to pay these utility bills for Prison Industries.

In addition, we noted the agency made unauthorized expenditures totaling \$17,109.94 during fiscal years 1998 and 1999. Purchases totaling \$15,294.34 were made on behalf of Ohio County Correctional Center and purchases totaling \$1,815.60 were made on behalf of St. Mary's Correctional Center. The Legislature appropriated each newly created facility a supplemental appropriation on March 14, 1998 to fund the operation of each facility. According to the business manager, these monies were expended to help get these various facilities up and running. We noted \$8,951.77 of the \$17,109.94 expended on behalf of these two facilities was expended prior to the date each facility was appropriated a budget of their own.

During our examination, we also noted the agency expended \$1,513.85 on behalf of the Assistant Commissioner's Office established during fiscal year 1999. The business manager stated that the expenditures for the Assistant Commissioner's Office were reimbursed for the most part, and the aforementioned amount that was not reimbursed was an oversight. The business

manager explained that the agency was instructed by the central office to pay these expenditures.

During our examination of the facility's Inmate Benefit Fund, we noted 32 instances totaling \$6,582.00 in which the agency paid the rental fee for the copier in the law library during fiscal years 1997 through 1999 using State appropriations instead of from monies maintained in the facility's Inmate Benefit Fund. We believe this is in noncompliance with Section 2.11 of the Division of Corrections Policy Directive 653.00 which states,

"Each institution shall provide copy making equipment and materials for the purpose of reproducing papers, motions, briefs, legal petitions, or other legal actions which are to be filed with any court of proper jurisdiction. This equipment and materials are not for the duplication of court decisions or other materials of any kind which are not intended to be filed with an appropriate court. As in accordance with other sections of this directive, inmates are to be provided adequate access to the law libraries and necessary time to transcribe sections of court opinions relevant to their cases. Each institution shall provide for routine and emergency maintenance of all duplicating, printing, and other equipment provided in the law library. All paper, supplies, and rental or purchase costs shall be paid by funds from the Inmate Benefit Fund."

Paying for the law library copier rental from the agency's State appropriation rather than the IBF reduces the

amount of money that could be used to fund operations in other areas of the facility. According to the business manager, she believed that this was a legitimate expenditure from the State appropriated account. However, after this was brought to her attention she attempted to pay back the State account from the IBF and was told by the central office that this was not an authorized reimbursement since many of these expenditures had been made from prior fiscal year appropriations which had already expired and, thus, could not be reimbursed. As of June 1999, the IBF began paying for this copier rental.

We believe these expenditures are in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, which states,

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes."

The effect of these expenditures is that the agency does not receive the benefit of the expenditures. Through July

31, 1999, we noted only one vendor (Prime Care Medical) reimbursed the agency \$6,823.74 for the amount of overpayment.

We recommend the agency comply with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, and collect the amounts overpaid on the duplicate payments. We further recommend the agency comply with the provisions of the Division of Corrections Policy Directive 653.00.

**Agency's Response**

*Vendors have been notified of duplicate payments and we are in process of receiving checks for duplicate payments.*

*Prison Industries is not required by statute to pay for any utilities cost at the facilities just as the Department of Education is not responsible for utilities yet by statute they must provide the educational services. Prison Industries is required to provide the Program services to employ the inmates.*

*We were and currently are under court order to reduce the State sentenced inmate jail population. Some expenditures did occur from the Northern Correctional Facility for Ohio County and St. Marys prior to the effective date of their appropriation. We concur that this should not have occurred and will follow recommendations.*

*Institution began paying for the copier rental from the Inmate Benefit Fund in June 1999 and will continue to follow policy governing law library expenditures.*

**Credit Card Purchases**

We noted four instances totaling \$473.34 in which duplicate payments were made to four vendors during fiscal year 1999. In all four cases the vendor was paid once with the State credit card and once through the normal FIMS Process. In two instances the original payment was made using the credit card and payment was later made through FIMS. In the other two cases the original payment was made through FIMS and then later using the credit card. According to the business manager, these duplicate payments occurred as the result of agency personnel not checking to see if these items had been previously paid.

We also noted 15 instances totaling \$10,978.68 in which the agency split invoices on a purchase into amounts of less than \$1,000.00 so that they could be charged on the State purchasing card. These purchases were made on the same day from the same vendor and are detailed in the following schedule:

<u>Vendor</u>	<u>Transaction Date</u>	<u>Amount</u>	<u>Description</u>
Bob Barker Company	7/14/98	\$ 711.93	Inmate Clothing
Bob Barker Company	7/14/98	610.14	Inmate Clothing
Bob Barker Company	7/24/98	885.00	Disposable Razors
Bob Barker Company	7/24/98	658.50	Soap
Bob Barker Company	7/24/98	878.24	Hygiene Items
Bob Barker Company	7/24/98	387.27	Work Boots
Green Acres	7/27/98	959.80	Weed Eaters
Green Acres	7/27/98	879.80	Lawn Mowers
Green Acres	7/27/98	329.25	Lawn Repair Items
ICS	7/10/98	848.00	Undergarments
ICS	7/10/98	605.95	Undergarments
ICS	7/10/98	487.00	Undergarments
ICS	7/10/98	960.00	Undergarments
ICS	7/10/98	957.00	Undergarments
ICS	7/10/98	<u>820.80</u>	Undergarments
TOTAL		<u>\$10,978.68</u>	

We noted one instance in which the facility did not retain an invoice or credit slip for an expenditure totaling \$426.45 to Bob Barker. We also noted one instance in which the facility purchased items for resale in the commissary totaling

\$25.42 on the State purchasing card which should have been purchased with commissary funds. According to the business manager, these purchases for inmate items were not reimbursed from the commissary account to the State account. In addition, we noted one instance in which the facility paid \$3.60 in State sales tax for the purchase of emergency road kits.

We believe the above items are in noncompliance with the State of West Virginia Purchasing Card Policies and Procedures which state in part,

"The cardholder is obligated to follow all rules as stated in the Purchasing Card Policies and Procedures. The purchasing card is for **official state use only**. . . .  
**.Official State Purchases** - Purchases and expenditures made by an employee on behalf of the state or the employing Spending Unit as allowed by law, policy, and procedure and within approved budget authority. . . .  
**.Transaction Limit** - For the period beginning July 1, 1998, the maximum dollar amount permitted in a single transaction is \$1,000.00. . . .The State of West Virginia is **exempt** and will not pay consumer sales tax (WV Code §11-15-9) charged by West Virginia vendors, but will pay taxes imposed by other states for out-of-state purchases. . . .  
**.Ordering and Receipts** - A receipt is required for all transactions. A receipt must contain specific information and meet certain conditions, but it may be in any form. Shipping ticket order forms may be acceptable if the following information is provided and conditions met. . . . A valid receipt shows no balance due or an invoice marked **Paid**. . . . An indication that the sale was by credit card must be present. A reference on the receipt to Visa, such as



"credit card" or "purchasing card" is acceptable. Orders from statewide contracts, which are \$1,000.00, or less per transaction may be paid for with the purchasing card. **ISSUE WV-39** or equivalent, if required by ordering procedures. . . ."

In addition, we believe these duplicate payments are in noncompliance with Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended, which states,

"Every board or officer authorized by law to issue requisitions upon the auditor for payment of money out of the state treasury, shall, before any such money is paid out of the state treasury, certify to the auditor that the money for which such requisition is made is needed for present use for the purposes for which it was appropriated; and the auditor shall not issue his warrant to pay any money out of the state treasury unless he is satisfied that the same is needed for present use for such purposes."

Not complying with the State of West Virginia Purchasing Card Policies and Procedures may allow cardholders to misuse the State card and make purchases that may not otherwise be allowed. The business manager told us the multiple purchases to the same vendor on the same day was due to a misunderstanding in the Purchasing Card Policies and Procedures. The agency believed that each purchase was allowed up to the \$1,000.00 transaction limit and did not realize that meant \$1,000.00 per day per vendor.

The business manager further stated that the receipt for Bob Barker was probably misplaced and she would contact the vendor to get a copy of the invoice. She also stated that the purchases for the commissary were to be repaid by the commissary; however, as of August 19, 1999 that had not been completed. Finally, the payment of the State tax was an oversight and an attempt to correct it had been made but without success.

We recommend the agency comply with the State of West Virginia Purchasing Card Policies and Procedures as well as the provisions of Chapter 12, Article 3, Section 9 of the West Virginia Code, as amended. In addition, we recommend the agency reimburse \$25.42 from the commissary account to the State.

**Agency's Response**

*Concur with the finding of duplicate payments and violation of the single transaction limit. During the implementation of the Purchasing card program, these errors did occur. We have since hired an Auditor who is responsible for the oversight responsibility of this program. The Auditor has remote access to all of the institutions' Pcard transactions and they are routinely monitored. We are pleased to report Northern is in total compliance with the regulations.*

**Trustee Accounts**

During our examination of the trustee accounts (Trustee Drawing Account and Retention Account), we noted as of December 31, 1998 there was \$6,552.02 more being maintained in the trustee bank accounts than was reflected on the agency's records. The following table illustrates this overage:

<b>Reconciled Bank Balance as of <u>12/31/98</u></b>	<b>Balance per Book as of 12/31/98 (Less Inmate Payroll <u>Receivable</u>)</b>	<b><u>Amount of Overage</u></b>
<b>\$242,635.74</b>	<b>\$236,083.72</b>	<b>\$6,552.02</b>

In addition to inmate monies, according to agency records as of December 31, 1998 the Inmate Benefit Fund (IBF) amounting to \$132,754.82 and several miscellaneous accounts totaling \$15,875.76 were also maintained as part of the trustee accounts. According to a listing of approved outside bank accounts obtained from the State Treasurer's Officer, the only funds which are to be maintained within the agency's trust accounts (Trustee Drawing Account and Retention Account) are monies belonging to inmates.

Correctional facilities are charged with the responsibility of safekeeping an inmate's monies and valuables while incarcerated in accordance with Chapter 25, Article 1, Section 3a of the West Virginia Code which states in part,

"...The superintendent of each institution, when such is deemed necessary, shall receive and take charge of the money and valuables of all inmates or earned by such inmates as compensation for work performed while they are domiciled there. The superintendent shall credit such money and earnings to the inmate entitled thereto and shall keep an accurate account of all such money and valuables so received, which account shall be subject to examination by the state commissioner of public institutions. The superintendent shall deposit such moneys in one or more responsible banks in accounts to be designated "superintendent's trustee fund." The superintendent shall deliver to the inmate at the time he leaves the institution all valuables, moneys and earnings then credited to him, or in case of the death of such inmate before leaving the institution, the superintendent shall deliver such property to his personal representative: Provided, however, That in case a committee is appointed for such inmate while he is domiciled at the institution, the superintendent shall deliver to such committee, upon demand, all moneys and valuables belonging to the inmate which are in the custody of the superintendent."

Agency personnel told us the agency does not routinely reconcile the trustee bank balances against their computerized book records. Commingling various sources of funds (inmate monies, IBF, etc.) and not reconciling the bank balances against their computerized book records could lead to erroneous account balances possibly resulting in over expenditure of some accounts.

During our examination, we noted a negative balance was being maintained for some inmates as reflected by agency records. Agency personnel told us there were two ways a negative balance could result for an inmate. A negative balance may be reflected for some inmates who are paroled or discharged prior to the institution receiving the inmate payroll. This happens when the inmate paroles or discharges after his inmate payroll wages are calculated but before they are posted to his account. Thus, inmates are paid their wages even though the actual monies have not been remitted to the agency. Also, the agency's Policy Directive 600.01 states the facility is required to provide indigent inmates with a limited amount of free postage each month. Instead of the agency providing the postage, inmates with no funds are being allowed to purchase postage resulting in a negative account balance. Policy Directive 600.01 did not contain any language directing the agency to charge indigent inmates for postage.

We recommend the agency comply with the provisions of Chapter 25, Article 1, Section 3a of the West Virginia Code. To comply with this Code section, we recommend the agency seek approval from the Treasurer's Office to set up additional outside bank accounts to deposit all funds (Inmate Benefit Fund, arts and crafts, postage receipts, etc.) other than inmate monies which

are currently being maintained in the facility's trustee accounts. Once approval has been obtained, separate accounts should be opened for the different sources of funds and the monies transferred out of the trustee accounts accordingly. We further recommend the agency reconcile the bank balance reflected monthly on the trustee account bank statements against their computerized book balances for these accounts. To assist the agency in reconciling these accounts, we also recommend the agency start maintaining a check register for each trust account.

**Agency's Response**

*Concur that the various sources of funds must be separated in outside approved bank accounts. The agency's trust account will be separate from any other account and will be reconciled monthly with the bank statements.*

*Indigent inmates are provided ten free postage stamps per month as per Policy Directive 600.01. There was a misunderstanding of the Policy Directive which does provide in Section 8.03 the provision of additional postage for purposes of mailing privileged mail. We will comply with the Policy Directive.*

**Contract Monitoring**

We noted three instances totaling \$2,948.41 of the agency overpaying Correctional Food Service during the months of

November 1997, July 1998, and January 1999 as summarized in the following table:

<u>Month</u>	<u>Official Inmate Count</u>	<u>Food Service Inmate Count</u>	<u>Inmate Count Difference (under)/ over</u>	<u>Amount Paid</u>	<u>Recalc. Amount</u>	<u>Difference (under)/over</u>
11/97	13,628	13,889.00	261.00	\$44,646.19	\$43,807.21	\$ 838.98
7/98	15,412	15,639.17	227.17	\$50,272.10	\$49,541.87	730.23
1/99	15,784	16,202.33	418.33	\$53,417.47	\$52,038.27	<u>1,379.20</u>
<b>TOTAL DIFFERENCE</b>						<b><u>\$2,948.41</u></b>

In addition, we noted three instances totaling \$69.30 of the agency overpaying Prime Care Medical for population overages during the same three month period as summarized in the following table:

<u>Month</u>	<u>Official Inmate Count</u>	<u>Prime Care Inmate Count</u>	<u>Inmate Count Difference (under)/ over</u>	<u>Amount Paid</u>	<u>Recalc. Amount</u>	<u>Difference (under)/over</u>
11/97	13,628	13,626	(2)	\$8,634.60	\$8,642.80	(\$ 8.20)
7/98 *	13,831	13,762	(69)	\$7,617.80	\$8,131.94	(514.14)
1/99 *	14,112	14,122	10	\$9,359.96	\$8,768.32	<u>591.64</u>
<b>TOTAL DIFFERENCE</b>						<b><u>\$ 69.30</u></b>

\* Does not include Ohio County Correctional Center Inmates, because they are covered under a separate billing.

We believe that the agency overpaid both Correctional Food Service and Prime Care Medical since the number of inmates being billed for by each vendor is not reflecting an accurate

count according to the facility's inmate count records. In the case of Correctional Food Service, their on site employee contacts a correctional officer in each pod on a daily basis to determine the number of food trays to prepare. For billing purposes, Correctional Food Service determines the number of inmates served to apply to the per diem rate by dividing the total number of trays served per month by three meals per inmate. Since Correctional Food Service obtains the billing information from Northern Regional Jail and Correctional Facility on a daily basis, we believe the facility is responsible for the amount of any over billings as opposed to Correctional Food Service.

We believe the agency is paying for more meals than are required to feed the inmate population as specified in the contract between Correctional Food Service and The State of West Virginia Regional Jail Authority/Division of Corrections, which states in part,

"X (R). The Contractor shall provide a daily caloric content of not less than 2800 calories per inmate per day.

XIV (A). Provide three (3) meals per day of which two (2) must be hot, at hours agreed to by the RJCFA and Food Service Director.

Change Order #4. To increase caloric portions at Northern Regional Jail from 2800 calories per day to 3500 calories per day minimum and to increase the rate in the amount of .273 per day per inmate. This



increase is for the Northern Regional Jail only."

In addition, we believe the facility is paying more than is required under the terms of the contract between Prime Care Medical and the State of West Virginia Regional Jail Authority/Division of Corrections, which states in part,

"Pennsylvania Institutional Health Services (P.I.H.S.) {Prime Care} offers the following cost savings that pertain to inmate/detainee over-run per diem at all facilities. If PIHS, Inc. is awarded any and/or all of the institutions named in this proposal and any other facilities that the Regional Jail and Correctional Authority would consider adding in the future without going through the bid process, we would not charge any over-run paid until the total inmate/detainee population is exceeded for all facilities combined that are contracted to PIHS, Inc.... **If PIHS, Inc. is awarded all five (5) facilities in this RFQ, then no charge for inmate/detainee would be made until the daily population exceeds 1272 (total of all five (5) facilities). Our per diem charge will be \$4.00 per inmate/detainee over the 1,272 and/or total of any combination of facilities.**

Furthermore the change orders amend the above respective contract requirements as follows:

Change order #5. The per diem rate for the population cap is now \$4.10.

Change order #20. The per diem rate for the above population cap will increase to \$4.22 per attached documents."

Regarding the contract with Prime Care Medical, we further noted that the agency overpaid Prime Care Medical \$591.64 for population overages for January 1999. Prime Care Medical billed the agency for the number of average inmates located at the facility during the month. However, since one of the other facilities subject to the same contract was under its population cap during this same month, NCF's billing for this month should have been adjusted accordingly as to reflect the other facility's under population. Thus, NCF's bill for the month of January 1999 should have been \$591.64 less than what was actually paid. We believe this over billing by Prime Care Medical is also in noncompliance with the provision of the contract between Prime Care Medical and the State of West Virginia Regional Jail Authority/Division of Corrections as previously cited.

Agency personnel told us neither the facility nor the central office were monitoring these monthly billings to verify that the bills were being paid in accordance with the contract and that the facility was paying for the correct number of inmates per the facility's official inmate count.

We recommend the agency establish a procedure to monitor all contracts to ensure compliance with the terms of those agreements.

Agency's Response

*We do not believe that Correctional Food Service has over billed as we provide the inmate count, however they prepare slightly more trays based on the transient population of the jail side.*

*We will monitor the billings by both providers more closely and attempt to discuss the medical monthly billings with the Regional Jail Authority, as we do not have the population reports for all of the regional jails to insure that invoices are adjusted accordingly.*

Unclaimed Inmate Monies

During our examination of the agency's local bank accounts, we noted as of July 31, 1998 there was a total of \$2,386.67 representing unclaimed inmate monies being maintained in these accounts. Frequently, subsequent to an inmate's parole or discharge from the facility, the agency will receive additional monies (such as job wages or interest earnings) which are posted to the inmate's account. Since the inmate is no longer incarcerated at the facility, the balance of any monies left in his account is transferred to the agency's suspense account maintained in the agency's trustee drawing account. If these monies have not been claimed after the passage of one year, then these monies are to be classified as abandoned property and

turned over to the Treasurer's Office in accordance with State law.

The proper accounting for unclaimed inmate monies is addressed by Chapter 36, Article 8 of the West Virginia Code. Chapter 36, Article 8, Section 2 of the West Virginia Code states in part,

"(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:....

(12) Wages or other compensation for personal services, one year after the compensation becomes payable...."

The following two excerpts from the West Virginia Code relate to the disposition of abandoned property once such property has been abandoned. Chapter 36, Article 8, Section 8 of the West Virginia Code states in part,

"(a) Except for property held in a safe deposit box or other safekeeping depository, upon filing the report required by section seven [§ 36-8-7] of this article, the holder of property presumed abandoned shall pay, deliver or cause to be paid or delivered to the administrator the property described in the report as unclaimed...."

Also, Chapter 36, Article 8, Section 13 of the West Virginia Code states in part,

"Except as otherwise provided by this section, the administrator shall promptly deposit in the general revenue fund of this state all funds received under this article,

including the proceeds from the sale of abandoned property under section twelve [§ 36-8-12] of this article...."

Agency personnel told us the agency has not attempted to locate former inmates who were either paroled or discharged in order to pay such inmates any monies owed to them. As a result, these monies continue to accumulate.

We also noted the agency will occasionally use these unclaimed monies to cover inmate payroll until the actual payroll checks arrive from the various sources. Once the checks arrive, these monies are placed back in the suspense account. We believe this practice is in noncompliance with Chapter 25, Article 1, Section 3a of the West Virginia Code which states in part,

"...The superintendent of each institution, when such is deemed necessary, shall receive and take charge of the money and valuables of all inmates or earned by such inmates as compensation for work performed while they are domiciled there. The superintendent shall credit such money and earnings to the inmate entitled thereto and shall keep an accurate account of all such money and valuables so received, which account shall be subject to examination by the state commissioner of public institutions. The superintendent shall deposit such moneys in one or more responsible banks in accounts to be designated "superintendent's trustee fund." The superintendent shall deliver to the inmate at the time he leaves the institution all valuables, moneys and earnings then credited to him, or in case of the death of such inmate before leaving the institution, the superintendent shall deliver such property to his personal

representative: Provided, however, That in case a committee is appointed for such inmate while he is domiciled at the institution, the superintendent shall deliver to such committee, upon demand, all moneys and valuables belonging to the inmate which are in the custody of the superintendent."

Since these monies are inmate monies the agency should not be utilizing such funds in this manner.

We recommend the agency comply with the provisions of Chapter 25, Article 1, Section 3a of the West Virginia Code as well as Chapter 36, Article 8, Sections 2, 8 and 13 of the West Virginia Code. We also recommend the agency attempt to obtain a forwarding address from inmates being paroled or discharged in order to pay them any residual monies which are credited to their account subsequent to their release. We further recommend the agency make a reasonable attempt to locate and pay those inmates their portion of the monies currently on deposit in the agency's trustee drawing account before turning these monies over to the Treasurer's Office as abandoned property.

**Agency's Response**

***Concur and will follow audit recommendation.***

**Professional Service Contracts**

We noted that the agency utilized psychological services during fiscal year 1997 without obtaining a contract as

required by the Department of Administration's Purchasing Division. The total amount that was paid during fiscal year 1997 was \$15,097.50.

We believe this is in noncompliance with Section 8.1.3 of the West Virginia Department of Administration's Agency Purchasing Manual, as amended, which states,

**"Professional Service Contracts:** These contracts are used to obtain specific professional expertise which is not available within state government. Examples of professional services may be legal, architectural, medical, dental, engineering, and other consultant services. All needs for professional services estimated to cost in excess of \$10,000 must be processed through the Purchasing Division."

We also noted that the agency utilized the services of an outside barber for hair cuts for the Regional Jail inmates for three months (July, August and September 1996) during fiscal year 1997 without obtaining a contract or purchase order as required by the Department of Administration's Purchasing Division. The total amount that was paid to the individual during the three months was \$786.00.

We believe this is in noncompliance with Section 2.1.2 of the West Virginia Department of Administration's Agency Purchasing Manual, which states,

**"\$501 to \$5,000:** Obtain a minimum of three (3) verbal bids, when possible. Document and record all bids for public record. (See

WV-49 in Appendix A). A written purchase order (WV-88 or TEAM-Generated Purchase Order) is required."

By not obtaining a contract for these various services in accordance with the preceding sections, we believe the agency has not ensured that they are getting the best available services at the best available price. The business manager stated that she was not sure why there was not a contract or purchase order in each instance and that this must have been an oversight. Regarding the contract for psychological services, she further stated that she had attempted to do a change order to the original contract for fiscal year 1997 but that the central office had rejected the new change order.

We recommend the agency comply with Sections 2.1.2 and 8.1.3 of the West Virginia Department of Administration's Agency Purchasing Manual, as amended.

**Agency's Response**

***Misunderstanding that medical/psychological services from an individual provider did not need Purchasing's approval. It should be noted that the regulations did change in 1998 whereby we are required to obtain bids, which we have, but these individual medical professional contracts do not require Purchasing's approval.***



## Equipment Inventory

We noted 16 instances of the agency not properly tagging computer equipment or including those items on the agency's physical inventory listing. These items are valued at \$6,090.00. We believe this is in noncompliance with Section 3.11 of the Purchasing Division's Inventory Management and Surplus Property Disposition Handbook which states,

**"Identification Tags:** All equipment over \$1,000 will have a numbered tag and that equipment will be placed into the agency's inventory system. Agencies will be responsible for obtaining and placing the proper tags on all equipment under their jurisdiction. Tags are to be placed on all items of property/equipment in such a manner that it may be easily seen and read."

By not properly tagging equipment and including equipment items on the inventory listing, the agency has not taken the necessary steps to ensure that all purchased equipment is used for the benefit of the agency. One Dell computer was not properly tagged when the facility completed an inventory count. The remaining 15 equipment items were not tagged in a timely fashion upon receipt. The Director of Operations stated that central receiving (inventory control) was not notified by the department which had received the computers. None of these items were properly recorded on the agency's equipment inventory listing.

We recommend the facility comply with Section 3.11 of the Purchasing Division's Inventory Management and Surplus Property Disposition Handbook.

**Agency's Response**

***All equipment has been properly tagged and included on the inventory listing as recommended.***

**Law Library**

We noted three instances in which typewriters for the law library totaling \$627.84 were purchased with monies from the Inmate Benefit Fund (IBF).

We believe these expenditures are in noncompliance with Section II of the Division of Corrections Policy Directive 367.03 which states in part,

"...It is the responsibility of the Warden/Superintendent/Administrator, to ensure that each expenditure, made from this account, will be beneficial to either a majority of the population or a specific group (i.e., protective custody) in their respective institution and that the specific expenditure is not one for essential mandated services or commodities which must be furnished from State appropriation."...

Furthermore, these expenditures were in noncompliance with Section 2.03 of the Division of Corrections Policy Directive No. 653.00 which state in part,

"2.03. Each law library shall be provided with functional typewriters or word processors, computers, paper, pens, and

pencils for use by inmates while in the law library...

Paying for state mandated services from the IBF results in a decrease in monies available in that fund and subsidizes the institution's budget by the amount of the expenditure. According to the business manager, the agency believes that these expenditures were appropriate because they benefitted all inmates.

We recommend the Northern Correctional Facility comply with the Division of Corrections Policy Directives 367.03 and 653.00.

**Agency's Response**

***We will purchase typewriters from State appropriated accounts in accordance with the Policy Directive.***

**Inmate Benefit Fund**

We noted five instances in which monies from the Inmate Benefit Fund totaling \$41,500.00 were loaned to other correctional facilities for either supplementing the IBF or advancing start-up funds for exchange operations. However, the agency did not work out a repayment plan with the correctional facility to receive the money before making each loan. These expenditures of IBF monies are detailed in the following schedule:

<u>Vendor</u>	<u>Date</u>	<u>Description</u>	<u>Amount</u>
Industrial Home for Youth	4/11/97	Funds to supplement IBF	\$ 500.00
Industrial Home for Youth	6/02/97	Funds to supplement IBF	500.00
Industrial Home for Youth	6/25/97	Funds to supplement IBF	500.00
St. Marys Cor- rectional Center	9/04/98	Start-up funds for commissary	20,000.00
Mount Olive Cor- rectional Complex	9/11/98	Funds to supplement IBF	<u>20,000.00</u>
TOTAL			<u>\$41,500.00</u>

We believe the loaning of IBF funds to other correctional facilities without working out a repayment plan is in noncompliance with Section II of the Division of Corrections Policy Directive 367.03 which states in part,

"...It is not the intent that the Inmate Benefit Fund be used to subsidize State mandated services/commodities. Examples of authorized use of fund would include but not be limited to:

1. Any purchase which enhances the institutional environment for the inmates and we are not mandated to provide such as: window blinds, curtains, air conditioners, etc.

2. Advance start-up funds for exchange operations at new facilities to be repaid in full on a payment plan...."

The effect of not requiring other correctional facilities to repay the IBF monies loaned to them results in a decrease in monies available for the benefit of this agency's inmate population. Based on our examination of agency records, we noted the agency had loaned these monies to other correctional facilities without working out a repayment plan with each facility. According to the business manager, she was not aware that these loans had even been made from the IBF. The agency is currently working out a repayment plan with each facility that received a loan. Through September 1999, we noted \$13,000.00 of the \$41,500.00 loaned out has been repaid to Northern Correctional Facility.

In addition, we noted three instances totaling \$1,057.07 in which landscaping supplies were purchased with monies from the Inmate Benefit Fund. These landscaping supplies were for the planting of trees and shrubs outside the facility.

Agency personnel believe that these expenditures were appropriate because they benefitted all inmates. We believe these purchases are in noncompliance with Section II of the Division of Corrections Policy Directive 367.03 which further states in part,

"It is the responsibility of the Warden/ Superintendent/Administrator, to ensure that each expenditure, made from this account, will be beneficial to either a majority of

the population or a specific group of inmates (i.e., protective custody) in their respective institution and that the specific expenditure is not one for essential mandated services or commodities which must be furnished from State appropriation..."

We recommend the agency comply with the Division of Corrections Policy Directives 367.03 and 653.00.

**Agency's Response**

*Monies loaned to other correctional institutions have been repaid as follows:*

MOCC	\$8000	Outstanding:	\$12,000
HOME FOR YOUTH:	\$1,500	Outstanding:	0
ST. MARY'S:	\$5,000	Outstanding:	\$15,000

*The outstanding balances will be paid via a repayment plan.*

**Overtime Compensation**

During the period July 1, 1996 through June 30, 1999, there were 1,279 instances of overtime compensation paid to agency employees. From this population, we tested 41 occurrences of overtime payments. Our examination revealed two employees were overpaid a total of \$111.68 while four other employees were underpaid a total of \$311.88. The following table depicts the amount underpaid or overpaid to each employee as well as the

understatement or overstatement of each employee's overtime hours.

<u>Employee</u>	<u>Actual Overtime Hours</u>	<u>Recalc. Overtime Hours</u>	<u>Hours (Underst.)/ Overstated</u>	<u>Amount (Underpaid) /Overpaid</u>
1	52.00	44.00	8.00	\$ 62.66
2	17.50	10.00	7.50	\$ 49.02
3	12.25	20.75	(8.50)	(\$ 77.03)
4	5.00	5.50	(0.50)	(\$ 7.90)
5	2.00	3.00	(1.00)	(\$ 21.98)
6	13.00	25.00	(12.00)	(\$204.97)

In a related test of personal services, we noted where one employee was overpaid on three occasions a total of \$129.43 for overtime worked.

Overtime compensation is to be paid in accordance with Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended, which states in part:

"(a) On and after the first day of July, one thousand nine hundred eighty, no employer shall employ any of his employees for a workweek longer than forty hours, unless such employee receives compensation for his employment in excess of the hours above specified at a rate of not less than one and one-half times the regular rate at which he is employed..."

A roll call report is submitted by each shift commander to the payroll assistant on a daily basis. The roll call report reflects the hours worked by correctional officers during the shift including any overtime hours. For civilian employees and

other uniformed personnel, a time and attendance record for the workweek is prepared by each department detailing employee work hours and any overtime worked. This report is submitted to the payroll assistant on a weekly basis.

From the roll call reports and time and attendance records, the payroll assistant records the amount of overtime hours worked by each employee onto payroll adjustment sheets which are then submitted to the State Auditor's Office to be processed for payment. Generally, the agency's payroll function does not recalculate the amount of overtime hours reflected on these reports because of time constraints in preparing each payroll. Since the amount of overtime hours to be paid each employee is not checked for accuracy on a consistent basis, employees may be underpaid or overpaid for overtime hours worked.

During the period July 1, 1996 through June 30, 1999, we also noted seven employees employed in an executive capacity were paid overtime compensation amounting to \$32,336.01. Section 13.92(a)1 of the "Fair Labor Standards Act" provides for exemptions from overtime compensation as follows:

"(a) The provisions of sections 6...and 7 shall not apply with respect to -  
(1) any employee employed in a bona fide executive, administrative, or professional capacity...."

The act does not require employers to compensate exempt employees for hours worked in excess of the normal workweek. However, the agency's payroll person stated their overtime policy was to pay



overtime to all employees except for the warden. We believe the agency should compensate employees for hours worked in excess of the normal workweek only as required.

We recommend the agency comply with the provisions of Chapter 21, Article 5C, Section 3 of the West Virginia Code, as amended. We also recommend the agency pay overtime only as required by Section 13.92(a)1 of the "Fair Labor Standards Act".

**Agency's Response**

*Clerical issues did occur causing both understatement and overstatement of some employee's overtime hours.*

*The amount of overtime hours will be checked on a consistent basis. With the implementation of the Auditor's Office EPICS system, the payroll process has been streamlined allowing some additional time for accuracy verification of overtime, leave balances and other payroll issues.*

*The agency is in compliance with the "Fair Labor Standards Act", as it does not preclude payment of overtime hours to exempt employees. An employer may, but is not required to pay exempt employees overtime.*

## INDEPENDENT AUDITORS' OPINION

The Joint Committee on Government and Finance:

We have audited the statement of appropriations/cash receipts, expenditures/disbursements and changes in fund balances of the Northern Correctional Facility for the years ended June 30, 1999 and June 30, 1998. The financial statement is the responsibility of the management of the Northern Correctional Facility. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statement was prepared on the cash and modified cash basis of accounting, which are comprehensive bases of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid of the Northern Correctional Facility for the years ended June 30, 1999 and June 30, 1998, on the bases of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Respectfully submitted,



**Theford L. Shanklin, CPA, Director  
Legislative Post Audit Division**

August 20, 1999

Auditors: Michael A. House, CPA, Supervisor  
Neil M. McEachron, Jr., CPA, Auditor-in-Charge  
David N. Harris, CPA  
David L. Penix

WEST VIRGINIA DIVISION OF CORRECTIONS  
 NORTHERN CORRECTIONAL FACILITY  
 STATEMENT OF APPROPRIATIONS/CASH RECEIPTS,  
 EXPENDITURES/DISBURSEMENTS AND CHANGES  
 IN FUND BALANCES

	<u>Year Ended June 30, 1999</u>		
	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts	\$5,342,505.00	\$1,068,763.25	\$6,411,268.25
Expenditures/Disbursements:			
Personal Services	2,456,969.38	0.00	2,456,969.38
Employee Benefits	938,925.78	0.00	938,925.78
Current Expenses	1,489,886.57	0.00	1,489,886.57
Repairs and Alterations	125,907.95	0.00	125,907.95
Equipment	55,947.90	0.00	55,947.90
Inmate Funds and Benefits	0.00	970,962.84	970,962.84
	<u>5,067,637.58</u>	<u>970,962.84</u>	<u>6,038,600.42</u>
Appropriations/Cash Receipts Over/(Under) Expenditures/ Disbursements	274,867.42	97,800.41	372,667.83
Expirations and Expenditures After June 30	(274,867.42)	0.00	(274,867.42)
Beginning Balance	<u>0.00</u>	<u>299,857.40</u>	<u>299,857.40</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 397,657.81</u>	<u>\$ 397,657.81</u>

**See Notes to Financial  
 Statement**

<u>Year Ended June 30, 1998</u>		
<u>General</u> <u>Revenue</u>	<u>Trust</u> <u>Funds</u>	<u>Combined</u> <u>Totals</u>
\$5,154,519.00	\$865,774.34	\$6,020,293.34
2,633,490.41	0.00	2,633,490.41
940,426.91	0.00	940,426.91
1,268,818.38	0.00	1,268,818.38
56,804.42	0.00	56,804.42
17,953.22	0.00	17,953.22
0.00	844,744.52	844,744.52
<u>4,917,493.34</u>	<u>844,744.52</u>	<u>5,762,237.86</u>
237,025.66	21,029.82	258,055.48
(237,025.66)	0.00	(237,025.66)
<u>0.00</u>	<u>278,827.58</u>	<u>278,827.58</u>
<u>\$ 0.00</u>	<u>\$299,857.40</u>	<u>\$ 299,857.40</u>

NORTHERN CORRECTIONAL FACILITY

NOTES TO FINANCIAL STATEMENT

Note A - Accounting Policy

Accounting Method: The modified cash basis of accounting is followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to 31 days after the fiscal year-end; however, appropriations for buildings and land remain in effect until three years after the passage of the act by which such appropriations were made. The cash basis of accounting is followed by all other funds. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Expenditures paid after June 30, in the carry-over period and expirations were as follows:

<u>Expenditures</u>		<u>Expirations</u>	
<u>Paid After June 30,</u>		<u>July 31,</u>	<u>July 31,</u>
<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
<u>\$273,663.11</u>	<u>\$237,025.61</u>	<u>\$1,204.31</u>	<u>\$0.05</u>

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the appropriations and cash receipts of certain funds are restricted by various laws, rules and regulations, the totaling of the accounts is for memorandum purposes only and does not indicate that the combined totals are available in any manner other than that provided by such laws, rules and regulations.

**Note B - Pension Plan**

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4.5% of their annual compensation and employees have vested rights under certain circumstances. The Northern Correctional Facility matches contributions at 9.5% of the compensation on which the employees made contributions.

The Northern Correctional Facility's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
General Revenue	\$250,949.61	\$265,046.89

**SUPPLEMENTAL INFORMATION**

WEST VIRGINIA DIVISION OF CORRECTIONS  
 NORTHERN CORRECTIONAL FACILITY  
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES  
 GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
Appropriations	\$5,342,505.00	\$5,154,519.00
Expenditures:		
Personal Services	2,566,451.98	2,703,563.95
Employee Benefits	990,003.34	1,031,046.12
Current Expenses	1,614,244.70	1,344,400.74
Repairs and Alterations	100,228.65	57,422.38
Equipment	70,372.02	18,085.76
	<u>5,341,300.69</u>	<u>5,154,518.95</u>
	1,204.31	0.05
Transmittals Paid After June 30	<u>273,663.11</u>	<u>237,025.61</u>
Balance	<u>\$ 274,867.42</u>	<u>\$ 237,025.66</u>



WEST VIRGINIA DIVISION OF CORRECTIONS  
 NORTHERN CORRECTIONAL FACILITY  
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
 LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<b><u>Trustee Drawing Account</u></b>		
Beginning Balance	\$ 26,484.45	\$ 30,098.34
Cash Receipts	<u>459,336.06</u>	<u>320,515.43</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$485,820.51</u>	<u>\$350,613.77</u>
Cash Disbursements	\$433,958.91	\$324,129.32
Ending Balance	<u>51,861.60</u>	<u>26,484.45</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$485,820.51</u>	<u>\$350,613.77</u>
<b><u>Retention Account</u></b>		
Beginning Balance	\$241,933.93	\$222,551.66
Cash Receipts	<u>185,351.26</u>	<u>182,392.10</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$427,285.19</u>	<u>\$404,943.76</u>
Cash Disbursements	\$136,453.37	\$163,009.83
Ending Balance	<u>290,831.82</u>	<u>241,933.93</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$427,285.19</u>	<u>\$404,943.76</u>

WEST VIRGINIA DIVISION OF CORRECTIONS

NORTHERN CORRECTIONAL FACILITY

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<b><u>Commissary Account</u></b>		
Beginning Balance	\$ 30,834.25	\$ 25,736.42
Cash Receipts	<u>423,830.43</u>	<u>361,995.20</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$454,664.68</u>	<u>\$387,731.62</u>
Cash Disbursements	\$399,836.50	\$356,897.37
Ending Balance	<u>54,828.18</u>	<u>30,834.25</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$454,664.68</u>	<u>\$387,731.62</u>
<b><u>Warden's Special Account</u></b>		
Beginning Balance	\$ 1,330.73	\$ 1,920.74
Cash Receipts	<u>18,159.96</u>	<u>16,260.99</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$ 19,490.69</u>	<u>\$ 18,181.73</u>
Cash Disbursements	\$ 18,115.99	\$ 16,851.00
Ending Balance	<u>1,374.70</u>	<u>1,330.73</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$ 19,490.69</u>	<u>\$ 18,181.73</u>

WEST VIRGINIA DIVISION OF CORRECTIONS

NORTHERN CORRECTIONAL FACILITY

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNTS

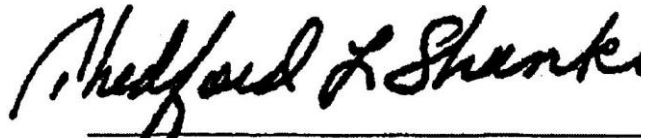
	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
<b><u>Staff Barbershop Account</u></b>		
Beginning Balance	\$189.21	\$102.54
Cash Receipts	<u>187.00</u>	<u>347.00</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$376.21</u>	<u>\$449.54</u>
Cash Disbursements	\$240.00	\$260.33
Ending Balance	<u>136.21</u>	<u>189.21</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$376.21</u>	<u>\$449.54</u>
<b><u>Auxiliary Recreation Account</u></b>		
Beginning Balance	\$415.56	\$338.62
Cash Receipts	<u>58.50</u>	<u>524.61</u>
<b>TOTAL CASH TO ACCOUNT FOR</b>	<u>\$474.06</u>	<u>\$863.23</u>
Cash Disbursements	\$474.06	\$447.67
Ending Balance	<u>0.00</u>	<u>415.56</u>
<b>TOTAL CASH ACCOUNTED FOR</b>	<u>\$474.06</u>	<u>\$863.23</u>

**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 15<sup>th</sup> day of November 1999.



**Thedford L. Shanklin, CPA, Director  
Legislative Post Audit Division**

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Northern Correctional Facility; Governor; Attorney General; and, State Auditor.