

STATE OF WEST VIRGINIA

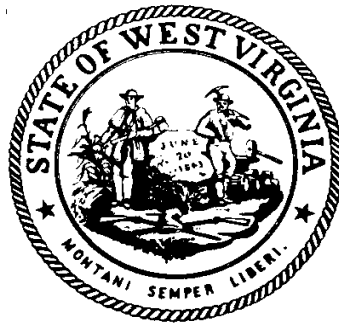
AUDIT REPORT

OF

**MOUNT OLIVE
CORRECTIONAL COMPLEX**

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1998



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

MOUNT OLIVE CORRECTIONAL COMPLEX

FOR THE PERIOD

JULY 1, 1996 - JUNE 30, 1998

WEST VIRGINIA LEGISLATURE

Joint Committee on Government and Finance

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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 Mount Olive Correctional Complex.

Our examination covers the period July 1, 1996 through June 30, 1998. The results of this examination are set forth on the following pages of this report. The financial statements for the years ended June 30, 1998 and June 30, 1997 are included in this report.

Respectfully submitted,

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

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

TLS/ela

MOUNT OLIVE CORRECTIONAL COMPLEX

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MOUNT OLIVE CORRECTIONAL COMPLEX

EXIT CONFERENCE

We held an exit conference on September 8, 1999 with the Warden and Deputy Warden of Mount Olive Correctional Complex and the Finance Director of the Division of Corrections and all findings and recommendations were reviewed and discussed. The above officials' responses are included in italics in the Summary of Findings, Recommendations and Responses and after our recommendations in the General Remarks section of this report.

MOUNT OLIVE CORRECTIONAL COMPLEX

INTRODUCTION

The West Virginia Penitentiary was established in 1866 by an Act of the Legislature. In February 1995, inmates were transferred from the old Penitentiary at Moundsville to the new Mount Olive Correctional Complex. Transfers were complete March 27, 1995 and the old West Virginia Penitentiary at Moundsville was closed.

Mount Olive Correctional Complex is situated on a 120-acre site near Mount Olive Church in Fayette County, West Virginia. Total construction costs for the project were \$61.8 million. The facility's 19 buildings are encompassed by a secure perimeter fence approximately one mile long. Approximately 80 acres are inside the secure perimeter. The general population capacity of the prison is 805 inmates.

The facility has its own post office, power plant, fuel depot, water supply, central warehouse, maintenance garage, gymnasium, chapel, library, classrooms, food service and laundry. Medical, dental, mental health, and food service are provided by professionals through contractual agreements. There are six general population housing units -- Stuart Hall, Ash Hall, Birch Hall, Elm Hall, Oak Hall and Pine Hall. The special

population capacity of the prison is 277 inmates. Quilliams I is the Receiving Unit for the Division of Corrections and houses up to 142 inmates. Quilliams II is the maximum security control unit and housed up to 96 maximum security segregation inmates. The Medical Unit houses up to 19 inmates in need of ongoing medical care and supervision and the Mental Health Unit houses up to 20 inmates in need of mental health treatment and supervision. The West Virginia Prison Industries operates a tag plant, validation sticker shop, sign shop, welding shop, braille shop and print shop.

Academic, vocational and social skills educational services are provided by the West Virginia Department of Education. Adult basic education courses are offered and emphasis is placed upon each inmate entering the prison without his high school diploma working towards his GED. Vocational courses offered are automotive repair, facility maintenance, metal technology and graphic arts/prints. College courses are available through the West Virginia Institute of Technology.

Inmates perform a variety of other tasks necessary for the operation of the facility such as cooks, custodial, landscaping, teachers aide and others. The institutional Jobs Coordinator oversees the general work program, providing work for approximately 500 men.

MOUNT OLIVE CORRECTIONAL COMPLEX

ADMINISTRATIVE OFFICERS

AS OF JUNE 30, 1998

William K. Davis.....Commissioner, Division of Corrections
Howard Painter.....Warden (May 29, 1998 to Present)
George Trent.....Warden (Prior to May 29, 1998)
Vacant.....Deputy Warden (As of May 29, 1998)
Howard Painter.....Deputy Warden (Prior to May 29, 1998)
Linda Coleman.....Associate Warden of Administration
Tim Whittington.....Associate Warden of Operations
Michael V. Coleman.....Associate Warden of Security
Teresa Waid.....Associate Warden of Programs
Cheryl Chandler.....Executive Assistant

MOUNT OLIVE CORRECTIONAL COMPLEX

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

ADMINISTRATION

Lack of Effective System of Internal Controls

1. During the course of our post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code, MOCC did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations. 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.

We recommend MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code.

Agency's Response

The Division of Corrections acknowledged the lack of effective internal control and hired an accountant to help institute an internal control system. (See pages 22-26)

Commissions From Inmate Telephones

2. MOCC through a contract with Computer Integrated Communications (CIC) receives a commission on collect calls made by inmates at that facility. These commissions are currently averaging \$17,188.86 per month or \$206,266.52 per year. These funds are being deposited in the Institution's inmate benefit fund as opposed to the State general revenue fund.

We recommend MOCC comply with Chapter 12, Article 2, Section 2 of the West Virginia Code and 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. (See pages 26-28)

P-Card Payment in Wrong Fiscal Year and Non-Payment of Invoices

3. A staff member at MOCC reportedly provided a vendor with the institution's master account number for their purchasing cards which enabled the vendor to charge the purchasing card account \$2,679.50 in fiscal year 1999 for

services which were provided in fiscal year 1998. In addition, MOCC did not pay 38 invoices totaling \$78,578.86 for fiscal year 1998 before the appropriation expired. Since only \$2,184.85 expired in fiscal year 1998, there was a \$79,073.51 over expenditure of the appropriation.

We recommend the institution establish good internal controls for P-Card purchases and we recommend they comply with Chapter 12, Article 3, Sections 14 and 16 of the West Virginia Code.

Agency's Response

Staff has been trained and steps have been taken to prevent a reoccurrence of this situation. (See pages 29-32)

Payment For Services Not Rendered

4. We noted in our test of personal services, MOCC paid \$55,229.43 to employees for personal services not rendered. We also noted they pay overtime to employees who are exempt under the Federal Fair Labor Standards Act (FLSA).

We recommend MOCC comply with Chapter 12, Article 3, Section 13 of the West Virginia Code and seek reimbursement of the overpayment to employees. We further recommend they strengthen internal controls and maintain adequate documentation to support payroll transactions and pay overtime only as required by FLSA.

Agency's Response

Steps are being taken to aggressively pursue collection of these overpayments. (See pages 32-36)

Contract Monitoring

5. MOCC had not implemented any procedures to monitor contracts. As a result they had not received credits totaling \$19,335.31 from the food service contractor for Farm Commission beef used during our audit period. Also after we began our audit of contracts it was noted no employee had been assigned to monitor the medical services contract to ensure that all credits due were received. In addition, we noted overpayments of other smaller contracts and we could not locate reports the vendors were required to supply to the institution according to the terms of their contracts.

We recommend MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and establish an internal control system to monitor contracts.

Agency's Response

Procedures have been implemented to monitor contracts and ensure compliance with the provisions of those contracts.

(See pages 36-42)

Commissary Inventory

6. On November 16, 1998, we performed an inventory count of the Inmate Exchange (Commissary). We noted differences totaling \$63,288.84 between our physical inventory count and the recorded inventory. We further noted computerized inventory reports that were inaccurate. The accounting functions of the computerized system are not being utilized, therefore, the balance sheet and income statements are incorrect. Finally it appears that an inmate employee in the commissary, with the aid of an employee, padded his account balance by recording "purchase returns" to his account.

We recommend MOCC comply with Institutional Operational Procedure #4.87 and implement an effective system of

internal controls over inventory and accounting for sales and purchases. We further recommend that staff be trained to utilize the automated system available to them.

Agency's Response

The vendor who provided the automated system will be contacted to provide training to MOCC staff to enable us to reduce the inventory as payables are entered. (See pages 42-46)

Trustee Account

7. Based on our reconciliation of inmate accounts to the local bank account as of October 31, 1998, we believe the trustee account has a cash shortage of \$2,942.80 based on the premise that all individual inmate accounts are correct as of that date. We also noted the computerized system used by the trustee clerk is a "demo" and has not been purchased by the institution and the vendor is not providing adequate support and training for the system.

We recommend MOCC comply with Chapter 28, Article 5, Section 7 and Institutional Operational Procedure No. 4.17 and implement an effective system of internal

controls to ensure accurate accounting for inmate monies. We also recommend a permanent computerized system be purchased for maintenance of the trustee accounts so that adequate training and support is available to MOCC staff.

Agency's Response

A RFP has been processed for a trustee accounting system which will interface with the commissary system and the trustee account was reconciled to the local bank accounts as of July 31, 1999. (See pages 47-52)

Unappropriated Expenditures

8. We noted during our audit procedures MOCC had paid \$15,035.00 for three vehicles not on their vehicle inventory list. We further noted \$5,429.04 of expenditures on their gasoline credit cards were made for the three vehicles mentioned above and two others which were also not noted on their vehicle inventory list. We also noted seven duplicate payments totaling \$590.90 and three overpayments to vendors totaling \$1,037.34. Additionally, we noted \$21,350.00 was paid for college classes for inmates for the spring semester 1997.

We recommend MOCC comply with Chapter 12, Article 3, Section 9 of the West Virginia Code and expend monies for the purposes for which they were appropriated.

Agency's Response

These problems have been corrected and procedures have been established to prevent their reoccurrence. (See pages 52-55)

Equipment Inventory

9. In our test of equipment, we were unable to locate ten equipment items purchased by MOCC during the two year period ended June 30, 1998. We were also unable to obtain an accurate equipment inventory listing from the Purchasing Division's Inventory Management System because the institution input the information incorrectly. In addition, we noted some equipment did not have inventory tags affixed.

We recommend MOCC comply with the Department of Administration's Purchasing Division's Inventory and Management Guidelines as well as establishing internal controls over equipment.

Agency's Response

A physical inventory was performed June 30, 1999. All equipment is currently properly tagged and recorded in the FARS fixed asset system. (See pages 56-59)

No Valid Purchase Order and Bids For Contracts

10. We noted several instances of contract services being provided and paid for when there was not a valid purchase order on file or when bids were required but were not obtained.

We recommend MOCC comply with the Department of Administration's "Agency Purchasing Procedures Manual".

Agency's Response

Internal controls have been established to ensure purchase orders and bids are obtained when required.

(See pages 59-62)

Late Payments

11. MOCC was not processing uncontested invoices within the required time. We noted 14 invoices totaling \$2,354,349.03 were processed for payment 12 to 108 days after receipt. We also noted no monthly rental fee was paid to one vendor for seven months and then 175 invoices

totaling \$41,044.77 were paid to that vendor on the last day of the fiscal year.

We recommend MOCC comply with Chapter 5A, Article 3, Section 54 of the West Virginia Code.

Agency's Response

Currently, all uncontested invoices processed within ten days with the exception of some invoices for catastrophic medical cases. (See pages 62-64)

Late Deposit of Inmate Monies

12. Subsequent to the date of our audit, our review of cash deposits of inmate monies received through visitation revealed three deposits totaling \$603.00 were made nine to 18 days after receipt of the cash in October 1998. We also reviewed the 21 deposits made in September 1998, of monies received through visitation and noted five deposits totaling \$1,255.00 were made six to ten days after receipt of the cash.

We recommend MOCC comply with the Warden's "Post Order" and make timely deposits of cash received on behalf of inmates.

Agency's Response

Procedures are now in place to ensure daily deposits of all funds on hand. (See pages 64 and 65)

Inmate Benefit Fund Expenditures and Loan Receipts

13. With inmate benefit fund monies, MOCC purchased three computers not used for the benefit of inmates, which is not in compliance with West Virginia Division of Corrections Policy Directive Number 367.03. We also noted the MOCC inmate benefit fund received loans totaling \$30,000 from two other correctional facilities.

We recommend MOCC comply with the West Virginia Division of Corrections Policy Directive Number 367.03.

Agency's Response

We will transfer the computers purchased to the Commissary for use there. The loans are currently being repaid. (See pages 65-68)

Payments to Correctional Officers to Defray Moving Expenses

14. We noted MOCC paid \$29,000 in fiscal year 1997 to the Division of Corrections to reimburse the Division for payments made to 58 correctional officers to defray moving expenses. However, no legislative intent was

noted in the budget digest for those expenditures in that particular year.

We recommend MOCC act in accordance with expressed Legislative intent in the future.

Agency's Response

The payments made during FY-97 were due to settlement agreements from grievances filed. (See pages 68 and 69)

Underpayment of Annual Leave Donations and Holiday Pay

15. MOCC underpaid employees a total of \$414.52 for annual leave donations and \$238.56 for holiday pay during the period July 1, 1996 through June 30, 1998. Further, MOCC did not re-credit unused annual leave donations as required.

We recommend MOCC comply with Administrative Rule of the Division of Personnel, 143CSR2 and the West Virginia Division of Corrections Policy Directive #425.02. We also recommend the agency assist the employees in obtaining compensation for the under payments.

Agency's Response

There is a clearer understanding of this policy to avoid reoccurrence. (See pages 69-73)

Sick and Annual Leave Accrual Errors

16. Of the 11 employees selected for testing, we noted errors in the sick and annual leave balances of nine employees for the period July 1, 1996 through June 30, 1998. The sick leave balances were understated by a total of 34.75 hours and the annual leave balances were overstated by a total of seven hours. We also noted missing records related to sick and annual leave.

We recommend MOCC comply with the Division of Personnel's Rule, Sections 15.03 and 15.04. We also recommend the erroneous leave balances be corrected.

Agency's Response

We have implemented procedures to prevent this problem in the future. We will correct the erroneous balances.

(See pages 73-75)

Inmate Medical Expense Funds

17. We were unable to locate supporting documentation for medical expenses paid on behalf of MOCC inmates from the Inmate Medical Expense Fund (0450-535), a Division of Corrections account. MOCC could not locate the

supporting documentation for payments totaling \$958,364.98.

We recommend MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code and maintain supporting documentation for payments.

Agency's Response

Mocc's staff is aware of the proper retention of documents and records. (See pages 75-77)

SECURITY

Weapons Inventory

18. The weapons located at the West Virginia Penitentiary in Moundsville were transferred to MOCC upon closing the old institution in 1995. After completing an inventory of weapons as part of our audit, we were unable to account for three weapons which were recorded as being transferred to MOCC from the old facility.

We recommend MOCC comply with Policy Directive #270.02 and keep adequate controls over safeguarding and accounting for weapons.

Agency's Response

To the best of my knowledge the .22 Derringer was stolen, and reported to the State Police as such, from a display at the old WVP. We continue to investigate the .357, Model 681. The serial number 39344, is not a valid Smith & Wesson number. (See pages 77 and 78)

MOUNT OLIVE CORRECTIONAL COMPLEX

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Mt. Olive Correctional Complex (MOCC). The audit covered the period July 1, 1996 through June 30, 1998.

GENERAL REVENUE ACCOUNT

The following general revenue account was assigned to the MOCC in which all appropriated expenditures were to be made as follows:

<u>Fund Number</u>	<u>Description</u>
0450-533.....	Mount Olive Correctional Complex

The Division of Corrections also expended monies on behalf of the MOCC for catastrophic inmate medical expenses from the following account:

<u>Fund Number</u>	<u>Description</u>
0450-535.....	Inmate Medical Expense Fund

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:

Warden's Trustee Fund - Savings and Drawing

Records all moneys received and disbursed by the MOCC for deposit and withdraw from inmates' personal accounts.

Inmate Benefit Fund

A fund implemented to pay for expenses that are beneficial to either a majority of the population or specific group of inmates and is not one for essential mandated services or commodities which must be furnished from State appropriation. The Warden is the only individual who may authorize a purchase or use of funds from this account. Types of revenues include telephone commissions, profits from exchange sales, donations, interest earned, and income from vending machines.

Exchange Account

The Exchange is a retail store within the MOCC which is operated for the benefit of the inmates for purchases of sundry products for personal use.

Arts and Crafts Account

To receive funds from the sale of arts and crafts and record expenses related to such sales for inmate arts and crafts.

Jaycee's Account

This account was set up to account for funds received and expended by the institutional chapter of the Jaycee's. The account was closed in February 14, 1997.

Media/Inmate Repair Account

To provide the Media Center with funds and checking accounts for purchasing repair parts for inmate appliances.

Travel/Discharge Account

An imprest fund at MOCC for use in immediate cash advances for security travel. Also, funds are expended for parole discharge fees.

COMPLIANCE MATTERS

Chapter 28, Article 5 of the West Virginia Code generally governs MOCC. We tested applicable sections of the above, and general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal 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, MOCC 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 MOCC, we found the following noncompliance with State laws or other rules and regulations:

(1) We could locate no statutory authority which permitted MOCC 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 \$17,188.86, approximately \$206,266.32 annually. (2) A former acting business manager reportedly provided a vendor with the institution's purchasing card master account number which enabled the vendor to charge \$2,679.50 during fiscal year 1999 for services rendered in fiscal year 1998. We further noted MOCC did not pay

38 invoices totaling \$78,578.86 in fiscal year 1998 before the appropriation expired. This resulted in a \$79,073.51 over expenditure of the appropriation. (3) MOCC paid \$55,229.43 to employees for personal services not rendered resulting from clerical errors in computing hourly wage rates for overtime payments and not removing employees from the payroll at the effective date of termination, (4) MOCC did not have a procedure to monitor contracts which resulted in their not receiving credits due from vendors, overpayments to vendors and non receipt of reports that were specified in the contract. (5) Differences totaling \$63,288.84 were noted in our physical count of the Commissary and the inventory records. (6) As of October 31, 1998, we noted a difference of \$2,942.00 between the amount of cash in the bank and accounts receivable vs. the liabilities recorded on the warden's trustee account balance sheet. (7) We noted in our audit several instances of monies being spent for purposes other than those for which they were appropriated. (8) We were unable to locate ten pieces of equipment purchased during the two-year period ended June 30, 1998. These purchases totaled approximately \$9,668.50. (9) Lack of internal controls over miscellaneous contracts, resulted in MOCC not obtaining purchase orders as required and not obtaining written bids when required.

(10) Uncontested invoices were not being processed within ten days in accordance with the Chapter 5A, Article 3, Section 54 of the West Virginia Code. Conversely, we noted MOCC erroneously paid a late fee of \$1,087.75 when the payment was not late. (11) Our review of the 21 cash deposits of inmate monies received through visitation in September 1998 revealed five deposits totaling \$1,255.00 were made six to ten days after receipt of the cash. (12) We noted three computers costing a total of \$5,782 were purchased from the Inmate Benefit Fund; however, the computers were not being used for the benefit of inmates. Also, we noted the Inmate Benefit Fund received a total of \$30,000 in loans from two other correctional facilities; however, we could not locate any authority for those loans. (13) MOCC reimbursed the Division of Corrections \$29,000.00 in fiscal year 1997 for payments made to 58 correctional officers to defray moving expenses. We noted legislative intent during fiscal year 1996 but not fiscal year 1997 to provided a \$500.00 payment to correctional officers to defray expenses incurred by officers working and living in Moundsville prior to the Mount Olive facility being opened. (14) Employees were underpaid \$414.52 in annual leave donations and \$238.56 in holiday pay during the two-year period ended June 30, 1998 as the result of to clerical errors. (15) For nine of the 11 employees selected for testing,

we noted accrual errors in sick and annual leave resulting in understated and overstated balances totaling (34.75) hours and seven hours, respectively. (16) We were unable to audit \$958,364.98 of expenditures made on behalf of MOCC to medical providers from the Inmate Medical Expense Fund (0450-535) which is a Division of Correction's account. MOCC could not locate the supporting documentation for the transactions. (17) We were unable to account for three weapons that were transferred to MOCC from the old West Virginia Penitentiary at Moundsville.

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

Agency's Response

The Division of Corrections acknowledged the lack of effective Internal Control and hired an Accountant, February, 1999, with primary responsibilities to implement a Division wide accrual accounting system; fleet management control; P-card coordinator and monitor; fixed asset inventory manager, and periodic assigned auditing of various functions.

Commissions From Inmate Telephones

In fiscal year 1993 the Regional Jail and Correctional 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 Mount Olive Correctional Complex (MOCC) and in return they agreed to pay a 38% commission to the Authority for calls placed from these phones. MOCC received the commissions on calls made from that facility.

MOCC received these commissions from the time the facility opened until CIC declared bankruptcy in May 1997. For the last six months of that period they received an average of \$16,114.68 per month. No further commissions were received from CIC until July 1998. Since the resumption of the commissions, MOCC has been receiving an average of \$17,188.86 per month or \$206,266.52 per year. All of the funds received from this source have been deposited into the institution's Inmate Benefit Fund.

Division of Corrections personnel have advised us the decision to deposit the commissions into the Inmate Benefit Fund 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.

Chapter 12, Article 2, Section 2 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..."

It is our recommendation MOCC comply with the aforementioned Code and 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. 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 taxpayers.

**P-Card Payment in Wrong Fiscal Year
and Non-payment of Invoices**

We were informed by MOCC staff that an acting Business Manager provided a fire alarm service vendor with the institution's master account number for their purchasing cards which enabled the vendor to charge the purchasing card account \$2,679.50 in fiscal year 1999 for services which were provided in fiscal year 1998. In addition, MOCC did not pay 38 invoices totaling \$78,578.86 for fiscal year 1998 before the appropriation expired. Since only \$2,184.85 expired in FY 98, there was a \$79,073.51 over expenditure of the appropriation.

Chapter 12, Article 3, Section 14 of the West Virginia Code states,

"It shall be unlawful for the superintendent, manager, any officer, or any person or persons, board or body, acting or assuming to act for and on behalf of any institution, kept or maintained in whole or in part by this State, to expend for any fiscal year any greater sum for the maintenance or on account of such institution than shall have been appropriated by the legislature therefor for such year except as provided in section thirteen [§25-1-13], article one, chapter twenty-five of this Code."

Chapter 12, Article 3, Section 16 of the West Virginia Code states,

"Any such officer or person who, in violation of any of the provisions of the two preceding sections [§12-3-14, §12-3-15],

shall expend any sum of amount of money or incur any debt or obligation, or make or participate in the making of any such contract, or shall be a party to any such transaction in any official capacity, shall be personally liable therefor, both jointly and severally, and an action may be maintained therefor by the State, or any person prejudiced thereby, in any court of competent jurisdiction, and such official shall further be guilty of a misdemeanor, and, upon conviction thereof, be fined not less than then nor more than five hundred dollars, and may be confined in jail not less than ten days nor more than one year, and, in addition to the penalties hereinbefore provided, shall forfeit his office. And there shall be no liability upon the State, or the funds thereof, on account of any such debt, obligation, or contract."

Based on our conversation with MOCC personnel, it appears the acting Business Manager, aware that a vendor's services were performed in a preceding fiscal year, provided the vendor with the purchasing card's master account number which enabled the vendor to charge the account \$2,679.50 in October 1998 for services performed in March and April 1998. It should be noted the account number charged was not the same as the account number on any of the cards that had been issued to individual employees at the institution but was the master account number into which all purchases made with cards used by that institution are summarized for billing purposes. This means that there is no way of determining who made or authorized the

purchase or if that person was even authorized to make purchases for or on behalf of the institution.

We were also informed by MOCC staff while conducting our audit that an investigation of the prior Business Manager revealed that 38 unpaid invoices were discovered for fiscal year 1998 after the end of the year. These invoices, including a \$69,289.25 invoice to the food service contractor, totaled \$78,578.86. The processing of prior year transactions is a violation of the preceding Code sections; also the nonpayment of 38 invoices totaling \$78,578.86 in addition to the processing of \$2,679.50 in the wrong fiscal year resulted in an over expenditure of the appropriation in the amount of \$79,073.51, since only \$2,184.85 was expired that year. To receive payment for the unpaid invoices, the vendors must file a claim with the "Court of Claims".

We recommend the institution establish good internal controls for P-Card purchases and we recommend they comply with Chapter 12, Article 3, Sections 14 and 16 of the West Virginia Code.

Agency's Response

Current employees holding P-cards have received appropriate training and maintain on file appropriate policies and procedures for P-card purchases. Our newly hired Division

Accountant is responsible as the P-card coordinator to monitor all purchases and payments.

The former Business Manager who was hired during the opening of MOCC resigned on March 31, 1998. This led to an individual (who has since resigned also), to be placed in an acting capacity. Due to the turnover and lack of trained staff, entries for all purchase orders were not maintained, therefore, catastrophic medical invoices were processed from what appeared to be unencumbered balances in various object codes. We always attempt to pay as many catastrophic medical invoices, which are beyond our control, after all other "controlled" expenses have been met. An accrual accounting system is in place and appropriate individuals have been trained. This did not reoccur in FY-99. For the record, this did not occur during FY-95, FY-96 or FY-97, only after the initial turnover of experienced staff in the Business Office.

Payment for Services Not Rendered

We noted in our test of personal services, MOCC paid \$55,229.43 to employees for personal services not rendered. We also noted MOCC pays overtime to employees who are exempt under the Federal Fair Labor Standard Act (FLSA). Chapter 12, Article 3, Section 13 of the West Virginia Code, as amended, states:

"No money shall be drawn from the treasury to pay the salary of any officer or employee before his services have been rendered."

Our testing revealed 47 employees were overpaid by a total of \$40,971.59 during the period November 15, 1995 through October 30, 1996. The overpayments were caused by a clerical error in preparing the State Auditor's Employee Time Card. For each semi-monthly payroll during this period, MOCC staff incorrectly recorded the overtime hourly wage rate at 1.5 times the regular hourly rate on the State Auditor's Employee Time Card. The recorded hourly wage rate on the State Auditor's Employee Time Card was multiplied again by 1.5 to compute overtime compensation by the State's automated payroll system. Therefore, the hourly wage rate was multiplied by 1.5 twice which resulted in employees receiving 2.25 times their hourly rate for overtime hours worked. MOCC staff was aware of the error prior to our audit, but as of August 9, 1999, no monies have been reimbursed from employees for these overpayments.

Secondly, we were informed 12 MOCC employees were not removed from the payroll at the effective date of termination during fiscal year 1995. This clerical error resulted in those employees receiving a total of \$13,308.78 in compensation for services not rendered. In April 1997, MOCC staff sent certified letters to the former employees requesting reimbursement. As of

August 9, 1999, MOCC had collected only \$870.43 and we found no evidence of further collection efforts.

We noted in our testing an employee classified as exempt by the (FLSA), a Supervisor I, received \$3,725.90 in overtime compensation during the period March 1, 1997 through June 30, 1998. The "Fair Labor Standards Act", Section 13(a)1 provides for exemptions from overtime compensation as follows:

"SEC.13.92 (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 FLSA does not require employers to compensate exempt employees for hours worked in excess of the normal workweek. However, the Warden stated their overtime policy was to pay overtime to all employees except for the following: Warden, Deputy Warden, Associate Wardens, Executive Assistant and the Building & Maintenance Supervisor. We believe MOCC should compensate employees for hours worked in excess of the normal workweek in accordance with the FLSA.

Other payroll issues, caused by clerical errors, included a \$755.00 overpayment to a correctional officer for salary when on "unauthorized" leave, three former employees were overpaid a total of \$120.77 in their final paychecks because annual leave was accrued after the effective date of

separation, and another former employee was overpaid \$73.29 in annual increment because of an error in computing the pro-rata share of increment for ending pay.

During the two-year period ended June 30, 1998, we were unable to locate time sheets to support payments for 73.5, 47.75, 24 and 14.5 hours made to four employees in our sample, for a total of 159.75 hours. Part of the time noted above (56 hours) was undocumented because time sheets are not maintained when employees are in training or orientation at the West Virginia Corrections Academy. For the other 103.75 hours the supporting documents simply could not be located. We also noted additional missing documents consisting of deduction authorizations for the WV State Employees Union and Credit Union as well as six Form WV-11 for employees who separated from employment. Finally, MOCC employees are required to sign a log sheet upon receipt of their paycheck. Employees who wish to designate someone else to pick up their check must provide a written authorization. We noted seven instances in which employees signed for other individual's checks without a written authorization from the payee; five of these seven instances included spouses signing for each other's check.

We recommend MOCC comply with Chapter 12, Article 3, Section 13 of the West Virginia Code and seek reimbursement of

the \$55,229.43 in overpayments to employees. We further recommend they strengthen internal controls and maintain adequate documentation to support payroll transactions and pay overtime only as required by the FLSA.

Agency's Response

Letters are in preparation stage with the appropriate pay-back agreement and your reference of this audit finding for additional supporting documentation to the documentation we provided each of them upon knowledge of this error. The collection of these overpayments will be pursued aggressively at this time as well as follow up letters to individuals who left employment but were erroneously paid after departure.

The Payroll Office experienced staff turnover at that time and coupled with the opening of the maximum security prison these errors did occur. We have since stabilized our payroll, human resources and fiscal staff.

Contract Monitoring

MOCC had not implemented any procedures to monitor contracts to determine the vendors complied with the provisions of the contracts. This resulted in overpayments to the food service contractor and possibly the medical services contractor. The food service contract called for the vendor to issue credits to monthly invoices for all farm commission products used during

the billing period and the medical services contract called for the vendor to credit monthly invoices for any vacant positions during the billing period. It was noted the food service vendor had neglected to issue credits amounting to \$19,335.31 during the audit period and the medical services vendor had failed to issue credits amounting to \$13,499.99 for the period February 1, 1999 through April 30, 1999.

The MOCC contract for food service stated the contractor must use beef provided by the Department of Agriculture's Farm Commission and deduct the cost from the contractor's services as follows:

"... Contractor must utilize beef, pork and potatoes if available from the West Virginia Department of Agriculture, "Farm Commission" and deduct cost of commodities from monthly invoice for month used. Beef and pork is invoiced to the institution at price per pound for total carcass weight. The institution will be responsible to pay the total invoice to the Farm Commission. The contractor shall supply the Business Manager of actual pounds of consumable meat after cutting and wrapping per carcass received. The contractor will deduct the amount as follows:

Total weight billed x price per pound =
total dollar billed which institution pays.

Total dollar billed to institution divided
by total consumable pounds = Contractor's
billable per pound cost.

Contractor's billable per pound cost x
pounds used during period = credit to
invoice..."

As a result of our inquiry concerning credits for farm
commission beef, the Warden requested the assistance of the
Business Manager from Denmar Correctional Center to perform an
audit of the credits applied to the contractor's invoices. The
Business Manager's audit reported in part,

"... After review of payments made to the
Department of Agriculture and credits taken
on invoices paid to Correctional Foodservice
Management, it appears that additional
credit in the amount of \$19,335.31 is due to
Mount Olive Correctional Center from the
food service contractor ... If the present
method of reimbursement is continued, there
needs to be better controls by the financial
department at your facility to ensure proper
reimbursement is being given and
accountability for all Department of
Agriculture Purchases and deliveries...."

We believe the \$19,335.31 overpayment to the vendor
occurred because the Penitentiary relied on the food service
contractor to compute and apply the beef credits to the monthly
invoice. The Business Manager's audit also stated in part,

"... Also, please be advised that there were
several months between purchases from the
Department of Agriculture. All institutions
are required to use meat and product from
the Department of Agriculture...."

The Deputy Warden also stated there was a period when beef was not purchased from the Farm Commission in noncompliance with the preceding contract.

For the period July 1, 1996 through June 30, 1998, MOCC had not assigned a staff member to monitor the medical services contract to determine if staff vacancies existed in medical services. Such vacancies should result in the reduction of the monthly contractual payments due the medical services provider.

We reviewed the medical services contract and noted a provision relating to vacant positions which provided a reduction of the monthly contract payment by a percentage of the previous employee's annual salary and benefits. Even though, we noted some adjustments to payments during the two-year period ended June 30, 1998, the Associate Warden of Administration stated that during this time, she knew of no procedures in place to monitor compliance with the vacancy provision in the contract. Since no records were maintained relating to vacant positions in the medical services area, we were unable to determine whether or not MOCC was entitled to additional credits on the medical services contractor's invoices. However, while we were at MOCC we did note the position of administrator was vacant for the months of February, March and April 1999. MOCC

subsequently requested a credit in the amount of \$13,499.99 in relation to the aforementioned vacancy.

The Medical Contract, Section K, states in part:

"Notwithstanding any other provision of this agreement, at any time that the Contractor fails to employ a qualified person in any one of the positions required by this contract for 30 calendar days or more, the payment installment to the Contractor shall be reduced by 108% of one-twelfth (1/12) of the annual salary and benefits of the previous incumbent."

Further, 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...."

Since MOCC has no procedure in place to monitor contracts, they were not able to determine compliance with the medical contract. Subsequent to the date of our audit, the Associate Warden of Administrative indicated MOCC was developing control procedures to account for vacancies in the medical services area. We also noted the Deputy Warden issued a March 30, 1999 memorandum to the medical services provider directing

their employees to "clock in and out at the MOCC time clock" to account for medical service personnel. We received no response to our inquiry about what remedies were to be used to determine adjustment amounts during the period in which no control procedures were in place.

In addition to the overpayments described above, we noted MOCC paid \$220.15 for uniform rentals for employees after the employees had separated from employment. For approximately three months after two maintenance employees quit working at the facility MOCC continued to pay the uniform rental service for them.

We also noted that the contract for elevator inspection and the contract for the employee assistance program called for the vendor to submit periodic reports to the institution. However, MOCC staff could not provide us with copies of those reports.

We recommend MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and implement a system of internal controls over contractual payments to include monitoring contracts to ensure that vendors comply with all provisions of the contracts.

Agency's Response

Effective July 1, 1999, the Business Office contacts the Food Service Director directly for monthly order from the Farm Commission. Once the food stuffs are delivered and paid by MOCC, the Business Office applies the credit on the next following invoice received for meals served in accordance with the contract provisions. MOCC, in order to actively monitor with supporting documentation the medical vacancies, has implemented a policy whereby all medical employees must also use the MOCC time clock. The Associate Warden of Administration will monitor the attendance records and all appropriate credits for vacancies will be applied.

Commissary Inventory

On November 16, 1998, we performed a physical inventory count of the Commissary. We noted differences in our physical inventory count and the recorded inventory totaling \$63,288.84. We further noted computerized inventory reports which contained totals that were inaccurate. The Commissary is also not implementing the accounting function of the system, therefore, the balance sheet and income statement do not reflect appropriate amounts. Finally, we were unable to locate supporting documentation for transactions totaling \$690.61 for an inmate that worked in the Commissary. Based on our

conversations with MOCC personnel, it appears this inmate, with the aid of a Commissary employee, altered his trustee account balances by recording "purchase returns" on his account which increased his trustee account balance.

Operational Procedure #4.87 states in part,

"...II Record Keeping ... C. Inventory - an inventory (perpetual or periodic, as applicable) of all goods and materials purchased, or acquired, for resale or use in the program will be kept"

The following differences were noted by quantities and by current cost when comparing our inventory count to the Exchange's inventory records:

	<u>By Quantity</u>	<u>By Dollars</u>
Shortage	(528,346)	(\$68,372.96)
Overages	7,507	5,084.12
Inventory Counted But Amounts/Cost Not Listed on Inventory Record	<u>263</u>	<u>0.00</u>
	<u>(520,577)</u>	<u>(\$63,288.84)</u>

Included in the above quantity differences is a shortage of individual servings of coffee and tea bags totaling 486,633 and 17,056; egg rolls were short by 11,998. Total cost difference for these shortages were \$29,197.98, \$21,149.44 and \$8,278.62, respectively. We located 263 items which the amounts and/or

cost were not included on the Commissary's inventory records. These 263 items consisted of 28 rolls of paper towels, 28 bottles of lotion, 29 tubes of toothpaste and 183 coffee servings. We asked the Exchange Supervisor for a current cost on these items and we determined overages noted above totaled \$256.81.

Physical inventory counts are taken quarterly; however, when the Exchange Supervisor would data input the adjustments into the computer, no report could be generated showing the adjustments that were made. The Exchange Supervisor believes the above shortages for coffee, tea and egg rolls occurred because incorrect adjustment amounts were input into the computer. Since those reports were not available, the Commissary would be unable to determine if the amount of shrinkage expense is in an acceptable range; therefore, there is no effective system in place to account for inventory. Additional problems noted in our count included printed inventory reports which contained missing information. We totaled sections of the "Stock Detail Report" and noted differences in calculated totals of \$105.60, \$27.26 and \$97.84 for the Groceries, Miscellaneous and Personal Toiletries sections. These differences could indicate that certain items

were omitted during the print process or that a programming error caused the sections to not correctly total.

Secondly, the Commissary was not using the accounting portion and check-writing program of the computerized system; therefore, the balance sheet and income statements prepared do not reflect appropriate amounts. We noted the "Shrinkage Expenses" on the Profit and Loss Statement was (\$59,283.67) which is depicting a revenue. We met with the Exchange Supervisor and MOCC officials concerning the problems with the new computer system. It appears that lack of training on the system caused most of the preceding items noted. The Warden assured us further training would be obtained and instructed the Exchange supervisor to submit a memorandum citing her concerns.

Further, there is a lack of segregation of duties in the manual recordkeeping for the Commissionary. The exchange supervisor records the accounts payable, prepares and signs the checks and uses the signature stamp of the Warden with no oversight. We also located a blank check that was stamped with the Warden's signature.

Finally, it appears an inmate employed by the Commissary padded his account balance with the aid of a Commissary employee. We noted during our audit an inmate had numerous deposits into his trustee account for which no

supporting documentation was located. We were unable to locate supporting documentation for transactions totaling \$690.61. We were provided with an audit performed by DOC staff concerning shortages in the Exchange during the period March 1, 1997 and April 30, 1997. The audit indicates numerous "debit" entries to this inmate's account which increases his balance in the trustee account. It appears an inmate and exchange worker, worked together to increase the inmate's account balance by erroneously crediting purchase returns to the inmate's account.

We recommend MOCC comply with the Operational Procedures #4.87 and implement an effective system of internal controls over inventory and accounting for sales and purchases and that staff be trained to utilize the automated system available to them.

Agency's Response

The Associate Warden of Administration will contact Syscon to arrange for training and assistance on the accounting function of the Commissary system which will enable us to reduce the inventory as payables are entered. Currently, since the accounting function is not operable it leads to the computerized inventory report to be over-stated.

Trustee Account

Based on our reconciliation of inmate accounts to the local bank account as of October 31, 1998, we believe the trustee control account has a cash shortage of \$2,942.80 based on the premise all individual inmate accounts are correct. We further noted a lack of internal controls relating to the trustee account.

The purpose of Operational Procedures #4.17 is to establish and define procedures for the Trustee Clerk and an inmate accounting system. Section II states the clerk's responsibilities includes,

"... A. Keep an accurate and updated account of all inmate finances...."

Also, Chapter 28, Article 5, Section 6 of the West Virginia Code states in part,

"... The warden shall keep an accurate account of all valuables, money and earnings so received ... and the warden shall deposit such money and earnings in one or more responsible banks to the credit of an account to be designated "warden's trustee fund."...."

MOCC installed a new computer system to account for inmate monies beginning in March 1998. We were informed by MOCC personnel that the prior computer system was failing; therefore, the Warden purchased a new system for the Commissary costing

approximately \$72,000 with monies from the Inmate Benefit Fund. Due to the lack of monies in the Inmate Benefit Fund, MOCC was unable to purchase the trustee system which accounts for inmate account balances and directly interfaces with the commissary system. However, the computer system vendor placed a trustee system in operation and MOCC began to account for inmate monies on this system. The new trustee system was installed to interface with the newly installed Commissary segment. The Associate Warden of Administration stated that since the trustee system was not purchased, it was a "demo" program and had not been "fine tuned" to account for inmate funds.

In our review of the trustee account for fiscal year 1998, we noted the bank reconciliations and adjusting entries were not being completed under the old system. Therefore, we reconciled the October 31, 1998 inmate trustee bank statements (the drawing and savings accounts) with the computerized trustee system's balance sheet to determine if the accounts contained enough money to pay the amount due inmates. Based on our reconciliation, we believe the trustee control account has a cash shortage of \$2,942.80, based on the premise individual inmate accounts are correct. We also noted the following items in our reconciliation:

1. MOCC had an "Abandoned Funds" accounts payable totaling \$5,477.46 recorded in the balance sheet.

MOCC stated the amounts due were from deceased inmates whose estates were not settled; however, we unable to determine the person/persons to whom the monies are owed. In addition, the cash balance and accounts receivables on the balance sheet were understated and overstated by (\$7,743.23) and \$11,310.54, respectively.

1. The trustee clerk was not depositing monies into the savings account but into the drawing account which is non-interest bearing. Therefore, we noted the recorded interest receivable on the balance sheet which had already been applied to inmate accounts was \$7,279.79; however, the actual interest earned per the bank account was \$3,273.71 for a difference of \$4,006.08.
2. Inmate payrolls were not being processed for payment promptly. We noted an average processing delay between the pay period and date paid of approximately 35 days. The inmates' accounts were credited for the work performed with 10% of the pay going into mandatory savings account which is interest-bearing but the monies were not deposited until a later date. Late deposits of the actual cash into the savings account results in a loss of interest. We also noted the recorded inmate payrolls on the accounting records do not equal the amounts deposited because the trustee clerk did not use the same document that supported the actual payroll to post inmates account.

We believe the shortage with the trustee accounts occurred because MOCC had not implemented an effective system of internal control. The trustee clerk receives monies from various collection points, posts the accounting records and makes the bank deposits. We further noted the trustee clerk prepares checks for disbursements, signs the check and personally uses the Warden's signature stamp for a

countersignature without any oversight. The accounting department reconciled recorded deposits and checks but did not complete the reconciliations to the cash balances on the trustee account books. The lack of segregation of duties, proper reconciliations and adjusting entries resulted in an ineffective system. Additional factors that contributed to the preceding shortage include:

- a. An actual beginning cash balance was not established during the conversion from the old system to the new system which took effect in March 1998 due to lack of bank reconciliations in the prior system; the liabilities and receivables were recorded based on the prior system's balances and cash balance was calculated to balance the books. A representative from the computer service firm explained the problems with the conversion and her recommendation to make an adjusting entry to the accounting records when the cash balances were reconciled from the bank accounts in a narrative to MOCC.
- b. The trustee clerk had not received adequate training for the new computerized system, in some cases, she did not know how to make adjustments to the accounts to reflect transactions. We held a meeting with the trustee clerk and MOCC officials to discuss the lack of training received. The Warden instructed the clerk to document her concerns about the accounting for transactions and assured us that further training would be made available. MOCC provided us with a memorandum noting the clerk's concerns.
- c. We also noted "glitches" in the computerized reports. Examples of "glitches" include: (a) the detailed account listing by inmate with balances does not agree with the amounts recorded on the liabilities section of the balance sheet. As of October 31, 1998, the liabilities section of the balance sheet and the detailed totals for the trust accounts were as follows:

	<u>Balance Sheet</u>	<u>Trust Account</u>
Drawing	\$ 66,960.09	\$ 66,911.95
Mandatory	179,457.86	178,789.95
Memo	7,256.24	7,162.86
Holds	128.56	238.56
Voluntary Savings	<u>25,709.51</u>	<u>25,709.51</u>
Total	<u>\$279,512.26</u>	<u>\$278,812.83</u>

Differences between the two totals was \$699.43. Also, we noted in our print-out of checks issued (check register) for the period March 3, 1998 through October 31, 1998, numerous checks were not listed on the register but recorded on the system. The trustee clerk stated the report problems have been resolved after our test was completed.

We recommend MOCC comply with Chapter 28, Article 5, Section 7 of the West Virginia Code and Operational Procedures #4.17 and implement an effective system of internal control to ensure accurate accounting for inmate monies. We also recommend a permanent computerized system be purchased for maintenance of the trustee accounts so that adequate training and support is available to MOCC staff.

Agency's Response

The Department of MAPS has bid an RFP for automated services to include a Commissary system interfacing with a trustee accounting system. In addition, the RFP calls for

extensive training of not only the end users but for the Data Base Administrator of the system. Actual Implementation Data is dependent on funding issues which are currently under review. Inmate payrolls are submitted to the Warden by the 15th of the following month for previous month's services and the trustee clerk is using the supporting payroll documentation to post inmates accounts.

The Associate Warden of Administration did reconcile the trustee account to the local bank accounts as of July 31, 1999. During her reconciliation, she adjusted entries for "abandoned" checks and moved it to the subsidiary internal account titled abandoned funds in order to balance the trustee account monthly to ensure reconciliation with local bank accounts.

Unappropriated Expenditures

We noted in our test of leased vehicles MOCC had paid \$15,035 for three vehicles not on the vehicle inventory list. We further noted \$5,429.04 of expenditures on the gasoline credit cards were made for those same three vehicles and two others not noted on the inventory listing. We also noted a total of \$1,037.34 was overpaid to three vendors because of invoice errors and we noted seven invoices totaling \$590.90 were paid twice. In addition, during the period under audit, MOCC

paid \$21,350 for spring semester 1997 college classes provided to inmates. We were unable to locate any requirement for MOCC to pay for college classes. Chapter 12, Article 3, Section 9 of the West Virginia Code states in part,

“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”

The Business Office was processing vehicles invoices without determining if the amounts paid were for vehicles leased by MOCC. We were informed that four of the five vehicles noted above were being used by other correctional facilities and the fifth could not be unaccounted for. Because MOCC had not implemented a system of internal control to account for vehicle and gasoline charges invoiced by the WV Department of Administration, they paid for goods and services which were not for the benefit of the prison. Subsequent to our audit period, we further noted in a memorandum from the Deputy Warden, MOCC loaned a 1995 Crown Victoria to Denmar Correction Center on December 15, 1998. The lease rate for this vehicle was \$455.00 which MOCC continued to pay while the car was on “loan” status. We believe the practice of “loaning” cars to other correctional

facilities should not occur because monies are not being expended as appropriated.

Secondly, we noted MOCC overpaid three vendors \$603, \$158 and \$276.34, respectively. The overpayments occurred because a \$603 credit memorandum for return of copier toner was not applied to an invoice, MOCC paid a \$158.00 copier invoice which belonged to the Department of Education, and we noted a \$276.34 mathematical error in an invoice paid to the food service contractor. We also noted duplicate payment of seven invoices totaling \$590.90.

According to the Director of Finance at the Division of Corrections, the Department of Education was responsible for providing educational opportunities through the twelfth grade to inmates. A Supreme Court ruling in "Crain vs. Bordenkircher" permitted post secondary education to an inmate, but the Department of Education was not required to supply that education; therefore, the Division of Corrections paid for college classes for inmates. When Mount Olive began operation in 1994, the Supreme Court stated the correctional facilities were to follow the standards of the ACA (American Correctional Association). ACA does not require college classes, but MOCC in an effort to prevent problems, continued to provide college classes utilizing the inmate benefit fund.

We noted the Inmate Benefit Fund paid West Virginia Institute of Technology for the fall 1996 and fall 1997 classes. The Director stated MOCC probably paid for the spring 1997 classes because monies were not available from the Inmate Benefit Fund since no telephone commissions were being received at that time. The effect of these expenditures is State general revenue monies are paying for services to inmates that are not required.

We recommend the Penitentiary comply with Chapter 12, Article 3, Section 9 of the West Virginia Code and expend monies for the purposes for which they were appropriated.

Agency's Response

Per Commissioner's verbal order, these vehicles were reassigned and the necessary paperwork did not follow. We have in place internal control as an Accountant is also functioning as the Fleet Manager and all vehicles are currently expensed at appropriate costs center. All vehicles, their assigned location, and appropriate cost center information is maintained by the Division's Fleet Manager. The payments of post-secondary classes will be paid from the Inmate Benefit Fund and not the General Revenue Fund.

Equipment Inventory

In our test of equipment, we were unable to locate ten equipment items purchased by MOCC during the two-year period ended June 30, 1998. We also noted MOCC could not obtain an accurate equipment inventory listing from the Purchasing's Division Inventory Management System because of a clerical error in the input of equipment information. We also located a computer that did not have a State identification tag number attached. West Virginia Department of Administration, Purchasing Division Inventory Management Policies and Guidelines Section 3.2 states,

"Agencies are responsible for all property, regardless of its state (removable or fixed), origin, or acquisition cost."

West Virginia Department of Administration, Purchasing Division Inventory Management Policies and Guidelines Section 3.6 states,

"Reportable Property: The Purchasing Division has established a capitalization figure of \$1,000 and a useful life of one (1) year or more. This means that any item which has an original acquisition cost of \$1,000 or more and a useful life of one (1) year or more should be placed into the agency's inventory. An agency may, however, include property or equipment costing less than \$1,000 in the report submitted to the Purchasing Division."

West Virginia Department of Administration, Purchasing Division
 Inventory Management Policies and Guidelines Section 3.11
 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. . ."

As part of our test of equipment purchases, we were unable to locate ten of 79 pieces of equipment tested as follows:

<u>Description</u>	<u>Serial Number</u>	<u>WV State Tag Number</u>	<u>Purchase Price</u>
Teleco Digital Cordless Phone	64031570	1558	\$ 750.00
IBM Wheelwriter Word-processor	11BXN51	6050-52	\$1,249.50
Three Tangent Computers	None Noted	None Noted	\$4,185.00
Scepter 17" SVGA Monitor	629RA00J00859	1623	Unknown
Microsoft Keyboard	KN9579010595	1625	Unknown
Caliber Mid Tower	CCC6101738	None Noted	\$2,169.00
HP Laser Jet Printer	USLC005497	None Noted	\$1,315.00
Mitsumi 104 Plus Keyboard	L106800	1644	Unknown

Also, we were unable to locate a State identification tag on a computer located in the Business office. It appears the

computer was not processed through the Central Receiving Department where State identification tags are issued.

Of the items noted above, we noted no receiving report for the three Tangent computers and the shipping address on the invoice was the Division of Corrections in Charleston. We were also informed by the inventory clerk the computers were located in Charleston. MOCC personnel also told us that it is believed a former Division of Corrections employee took the HP printer to the Charleston office. Also, the Communications Officer believes the missing digital cordless telephone was damaged and replaced by another telephone; however, there is no documentation to support that assertion. We were unable to determine the cause of the remaining unaccounted for pieces of equipment.

We attempted to trace the equipment items purchased to MOCC's equipment listing; however, 51 of the 79 items tested were not located on the computerized listing. The inventory clerk contacted a representative of IS&C to inquire why the inventory listing was incorrect. It appears a temporary employee at MOCC performed the data-input of equipment into the computer system and did not note the sub-organization number; therefore, the computer system was unable to identify the equipment. We believe MOCC needs to strengthen internal

controls over accounting for inventory to safeguard purchases from unauthorized use or disposition and to ensure MOCC's equipment inventory list is correct.

We recommend MOCC comply with the Department of Administration's Purchasing Division's Inventory and Management guidelines and strengthen internal controls over equipment.

Agency's Response

A physical inventory was performed as of June 30, 1999. All equipment is currently properly tagged and recorded in the FARS fixed asset system. Our newly hired Accountant also functions as the Inventory Control Manager and is currently insuring that the fixed asset reporting system is being utilized by the proper recording of information and is entered to produce appropriate location reports. He will also visit each institution for audit checks on inventory control.

No Valid Purchase Order and Bids For Contracts

We noted several instances of contract services being provided and paid for without a valid purchase order being executed or without the required bids being obtained as detailed below:

- a. For the Uniform Rental contract, we were unable to trace the rental prices paid to the rental service agreement because the prices quoted in the January 1, 1996 agreement were not the prices billed during fiscal year 1998. We were also unable to locate a purchase order in effect for the six-month period ended June 1998. MOCC paid the

uniform rental vendor \$5,766.38 during fiscal year 1998 for uniform rental; however, we were unable to locate three written bids to determine compliance with the Department of Administration's "Agency Purchasing Procedures Manual".

- b. We were unable to locate the written bids and purchase order for the rental of a postage meter during fiscal year 1998. The vendor was paid a total of \$6,968.00 in quarterly payments of \$1,742.00 based on a contract originating on December 30, 1995. MOCC staff was unable to locate the original contract, and the corresponding bids and purchase order.
- c. We noted the fiscal year 1998 purchase order for elevator maintenance contained a mathematical error resulting in the total price for elevator maintenance being \$5,436.00 instead of \$4,077.00 as stated on the Purchase Order. Which would have required MOCC to obtain written bids. We also noted the maintenance service agreement in effect during fiscal year 1998 was unsigned by an authorized official of MOCC as well as the vendor.
- d. For fiscal year 1997, we could not locate the purchase order authorizing \$5,662.50 of expenditures made for telephone maintenance.
- e. We noted MOCC paid \$1,557.55 to a vendor charging object code 025 - contractual and professional services but we were unable to determine what the services were for. The support for the payment was a statement, not a detailed invoice, which noted the payment was over 120 days past due, referenced an invoice number, and noted the date and balance due. MOCC staff stated that no other supporting documentation was available.
- f. We noted MOCC paid \$179.88 for 24 hours of temporary services when the temporary employee's time sheets indicated the employee was not working. Conversely, we also noted the temporary employees' time sheets showed employees worked 64.75 hours but no payments were made to the temporary service for the time worked. We located a FIMS document processing a payment of \$297.34, prepared on May 5, 1998 for 40.75 hours of the preceding 64.75 hours; however, the FIMS document status was "unapproved" and

remained unpaid as of year-end. We also located an unexplained charge on an invoice totaling \$28.92.

The Department of Administration's "Agency Purchasing Procedures Manual" states in part,

"2.1.3 \$5001 to \$10,000: Obtain a minimum of three (3) **written** bids ... A written purchase order (**WV-88** or **TEAM generated Purchase Order**) is required."

Also, 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...."

The lack of an effective system of internal controls could result in MOCC paying for services not received, lack of purchase orders could result in unauthorized purchases, and not obtaining written bids could result in MOCC paying more for services than required.

We recommend MOCC comply with The Department of Administration "Agency Purchasing Procedures Manual" and obtain bids and purchase orders as required.

Agency's Response

MOCC has strengthened their internal controls by implementing a system of approval/denial of all requisitions by the Associate Warden of Administration and the Deputy Warden. All purchases require a Purchase Order and all invoices must bear the Purchase Order number and clearly identify services prior to auditing. In addition, we will commence isolated audits to insure internal contracts are in place, invoices comply with purchase orders, services have been received, as well as bids were received for products/services.

Late Payments

We also noted MOCC was not processing uncontested invoices within ten days in accordance with the West Virginia Code. Conversely, we noted MOCC erroneously paid a late fee of \$1,087.75 for a \$10,877.50 utility invoice to a public service district that was paid approximately one month after it was received by the Business Office.

Chapter 5A, Article 3, Section 54 of the West Virginia Code states in part,

"(a) Any properly registered and qualified vendor who supplies services or commodities to any state agency shall be entitled to prompt payment upon presentation to that agency of a legitimate uncontested invoice.
(b)(1). . . a state check shall be issued in payment thereof within sixty days after a legitimate uncontested invoice is received

by the state agency receiving the services or commodities. Any state check issued after such sixty days shall include interest at the current rate. . . which interest shall be calculated from the sixty-first day after such invoice was received by the state agency until the date on which the state check is mailed to the vendor . . . (d) the state agency initially receding a legitimate uncontested invoice shall process such invoice for payment within ten days from its receipt. . . ."

Secondly, in our test of food and medical service expenditures, we noted MOCC prepared 14 invoices totaling \$2,354,349.03 for payment 12 to 108 days after the invoices were received by MOCC during the two-year period ended June 30, 1998. We further noted during fiscal year 1998, no payments were made to the copier vendor for monthly copier rental fees during the period December 1, 1997 through June 30, 1998. On July 30 and 31, 1998, the last days for fiscal year 1998 invoices to be paid, MOCC paid 175 invoices to this vendor for copier rental services from November 1997 through June 30, 1998 totaling \$41,044.77. Finally, we noted MOCC paid a late penalty of \$1,087.75 for a public service district invoice that was paid approximately one month after it was received.

For the invoices paid late to the copier vendor, the Associate Warden of Administration stated, "Bills were

processing during this time by the Business Manager. I don't know why they weren't made in a timely manner."

The lack of prompt processing of invoices could result in interest penalties incurred by MOCC. We further believe MOCC should not have paid the \$1,087.75 in late penalties for the public service district invoice that was paid approximately one month after it was received.

We recommend MOCC comply with Chapter 5A, Article 3, Section 54.

Agency's Response

Currently, all uncontested invoices are processed within ten (10) days, however, catastrophic medical invoices must be held at times due to insufficient funding for these cases.

Late Deposits of Inmate Monies

Subsequent to the date of our audit, our review of cash deposits of inmate monies received through visitation revealed three deposits totaling \$603.00 were made nine to 18 days after receipt of the cash in October 1998. We further reviewed the 21 deposits of monies received through visitation made in September 1998 and noted five deposits totaling \$1,255.00 were made six to 10 days after receipt of the cash.

The Warden, in April 1998, signed a "Post Order" noting the following: "1. At the end of each business day, the Trustee Clerk will deposit all inmate monies processed earlier in the day in appropriate accounts maintained at local bank(s) for such purposes...."

The trustee clerk was not making timely deposits. The trustee clerk records the monies in inmate accounts and makes the deposit at the bank. We noted the monies received through visitation were transmitted to the trustee clerk in a reasonable time but the deposits were not made timely at the bank.

Untimely deposits into the bank account could result in lost interest; further, timely deposits ensure the safeguarding of cash from unauthorized use or disposition.

We recommend MOCC comply with the Warden's "Post Order" and make timely deposits of cash received on behalf of inmates.

Agency's Response

Procedure in place whereby trustee clerk departs from work site daily at 3:30 p.m. to insure daily deposits of all funds on-hand.

Inmate Benefit Fund Expenditures and Loan Receipts

With Inmate Benefit Fund monies, MOCC purchased three computers not used for the benefit of inmates, which is not in

compliance with West Virginia Department of Corrections Policy Directive Number 367.03. We also noted MOCC Inmate Benefit Fund received loans totaling \$30,000 from two other correctional facilities. Policy Directive No. 367.03 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. . .

. . . Examples of authorized use of fund would include but not be limited to: . . . Operation of exchange/commissary; recreation equipment; holiday, seasonal or specific inmate functions including food, decorations, and reimbursement of State employees salaries; specialty food purchases, i.e., "pizza party"; T.V's and other equipment/furnishings for inmate "day room" areas; laundry and microwave equipment as approved by the Warden. . ."

We noted three computers purchased with Inmate Benefit Fund (IBF) monies totaling \$5,782.00 were not being used for the benefit of inmates. The computers were being used by MOCC staff located in the Warden's Secretary's office, the Communications Office and the Trustee Clerk's office.

We further noted \$30,000 in loan receipts were deposited into the IBF; however, we could locate no supporting

documentation for the loan such as a loan agreement with terms of repayment. The IBF accounting records indicate two loans from Northern Correctional Facility and Huttonsville Correctional Center of \$20,000 and \$10,000, respectively, were received as of September 11, 1998. We could locate no authority for the transfer of Inmate Benefit Funds from one institution to another.

Lastly, we were unable to locate documentation of the Warden's approval for a \$38.94 purchase of charcoal; the preceding policy directive states the Warden is the only person authorized to approve a purchase or use of the Inmate Benefit funds.

We recommend MOCC comply with the West Virginia Department of Corrections Policy Directive Number 367.03.

Agency's Response

We are in the process of purchasing three (3) PC's from the General Revenue Account and will return the three (3) PC's bought with the Inmate Benefit Fund to the Commissary operation.

The loans were a transaction approved by the Wardens and the Commissioner between Inmate Benefit Fund accounts. This will not reoccur and MOCC has initiated a payback plan of which

approximately one-half of the amounts have been repaid at this time.

Payments to Correctional Officer to Defray Moving Expenses

We noted MOCC paid \$29,000 in fiscal year 1997 to the Division of Corrections to reimburse the Division for payments made to 58 correctional officers to defray moving expenses. However, no legislative intent was noted in the Budget Digest for these expenditures in this particular year. The Fiscal Year 1996 Budget Digest contains the following legislative intent,

"It is the intent of the Legislature that from the Unclassified line item above that payments in the amount of \$500 per correctional officer be paid to defray moving expenses for correctional officers who were hired to work at the Mount Olive Correctional Facility after July 1, 1994 and was temporarily assigned for a period exceeding thirty days to MOCC at Moundsville after completing basic training and was still employed on April 1, 1995. This one time payment is to defray expenses incurred by correctional officers living in Moundsville until the Mount Olive Correctional Facility was opened. No other payments for this purpose shall be made to any correctional officer from any sources..."

We noted the Division of Corrections paid the correctional officers based on settlement agreements. We believe these expenditures were not appropriate since legislative intent was expressed for fiscal year 1996 only.

Because no legislative intent was noted for fiscal year 1997, we believe the \$29,000 transfer was not an appropriate expenditure.

We recommend MOCC comply with expressed Legislative intent in the future.

Agency's Response

The payments made during FY-97 were due to settlement agreements from grievances filed. The Auditor approved a majority of the settlements but upon closer review did not find them appropriate without specific language. We requested the specific language be inserted in FY-98, which was approved by the Legislature so we could continue to pay our settlement agreements.

Underpayments of Annual Leave Donations and Holiday Pay

MOCC underpaid employees a total of \$414.52 in annual leave donations and \$238.56 in holiday pay during the period July 1, 1996 through June 30, 1998. Further, MOCC did not re-credit unused annual leave donations in accordance with the Administrative Rule of the Division of Personnel, 143CSR2.

Due to a misunderstanding of computations for payments of annual leave donations to recipients, MOCC underpaid seven employees a total of \$414.52 and did not re-credit unused annual leave donations to three employees in accordance with the

Division of Personnel's procedures. Administrative Rule of the Division of Personnel, 143CSR2, Section 5.2 states in part,

"... b. The appoint authority of a recipient of donated leave shall continue to pay the recipient, according to procedures established by the Director of Personnel, as long as there is a positive balance in the total dollar value of all leave donated to the recipient....

e. "Any unused leave donation shall be returned to the donor and re-credited to his or her annual leave balance according to procedures established by the Director of Personnel."

The Division of Personnel's Procedure No. 6 provides for paying recipients of donated leave as follows:

"...wage-based deductions are taken from leave donations except for State retirement deductions since the leave donation law prohibits service credit from being granted during periods when donated leave is used. However, since the object of the leave donation program is to replace "take-home" pay, gross pay is adjusted to account for the retirement exception and payments of donated leave are processed as payroll as described below ...

*calculate the recipient employee's adjusted gross pay for a regular pay period (i.e., one-half a month) by subtracting the employee's usual State retirement deduction from his or her usual gross pay for a regular pay period (excluding overtime).

*if there are donations at least equal to the recipient employee's adjusted gross pay for a half-month (or portion of a half-month if the employee's eligibility begins or ends prior to the end of a pay period), take the mandated deductions [except State

retirement] and any other deductions authorized by the employee from the adjusted gross and process as payroll. The recipient employee's take home pay should be the same (or within pennies of the same) as his or her take home pay (excluding overtime) if he or she were at work or on paid leave. If the donations are less than the recipient employee's adjusted gross pay for a half month, take the mandated deductions [except State retirement] and any other deductions authorized by the employee from the available donations and process as payroll"

Further, the Division of Personnel's Procedure No. 7 provides for the return and re-credit of unused leave donations as follows:

"Unused leave donations are re-credited to the donor's annual leave balance as of the original date of the donation. In the case of leave which could not have been carried forward to the new calendar year, the donor will be given one additional opportunity to donate the leave to another designated eligible recipient. This donation should be made within five work days of notice of the re-crediting of the unused donation. If the subsequent donation is unused, that donation is re-credited to the donor's annual leave balance as of the original date of the first donation and the Administrative Rule is followed regarding carry-forward hours."

Seven employees receiving donated annual leave were underpaid a total of \$414.52; the underpayments were caused by a misunderstanding by the Payroll Division of accounting for payments and the donation balances. Further, the re-crediting

of donated annual leave to three employees were understated by six, eight and two hours, respectively.

We also noted in our test of personal services an employee was underpaid \$238.56 for holiday pay. The WV Division of Corrections Policy Directive 425.01, Wage and Hour Policy Subsection 2.05B, Holidays, states in part,

"All employees are entitled to one day off for each holiday. An employee who regularly scheduled work week encompasses a holiday shall be compensated in accordance with the Fair Labor Standards Act for actual hours worked ... In addition, employees will be given an alternate day off within ninety days. If the employee cannot be scheduled for an alternate day off, he/she will be compensated for that day for eight hours at the regular rate of pay."

Our review of the employee's time sheets indicated the employee worked October 14, 1996, May 25, 1998 and June 19, 1998 but did not receive compensation or an alternate day-off. We believe MOCC should pay the employee for the holiday time worked.

We recommend MOCC comply with Administrative Rule of the Division of Personnel, 143CSR2, the procedures to implement such rule, and the West Virginia Division of Correction's Policy Directive No. 425.02. We also recommend MOCC compensate the employees for \$653.08 in underpayments.

Agency's Response

There is a clearer understanding of this policy to avoid this reoccurrence.

Sick and Annual Leave Accrual Errors

Of the 11 employees selected for testing during the period July 1, 1996 through June 30, 1998, we noted errors in the sick and annual leave balances of nine employees resulting in understated and overstated balances totaling (34.75) hours and seven hours, respectively. We were further unable to test leave taken during fiscal year 1997 for two of the preceding 11 employees because of the lack of time sheets. Finally, we were also unable to locate "Requests for Leave" forms for numerous days taken which provides for approval for leave and type of leave taken.

The Division of Personnel's Administrative Rule, Sections 15.03 and 15.04 states in part,

"15.03. Annual Leave

(a) Amount, Accrual - Except as otherwise noted in this rule, each employee is entitled to annual leave with pay and benefits. The table below lists rates of accrual according to the employee's length of service category and the number of hours of annual leave that may be carried forward from one calendar year to another ...

<u>Length of Service Category</u>	<u>Accrual Rate: Hours Equal to</u>	<u>Carry-Forward Hours: Hours Equal to</u>
Less than 5 years of regular employment	1.25 days/month	30 days
5 years but less than 10 years of regular employment	1.5 days/month	30 days
10 years but less than 15 years of regular employment	1.75 days/month	35 days
15 years or more	2.00 days/month	40 days

"15.04. Sick Leave

(a) Accrual: Except as otherwise provided in this section, each employee shall received accrued sick leave with pay and benefits. Sick leave is computed on the basis of 1.5 days per month for full-time employees. This is unlimited accumulation of sick leave...

(c) Minimum Charge: The minimum charge against sick leave is one quarter (1/4) hour...."

Types of errors include mathematical mistakes in accruals, errors in length of service computations, differences in amounts charged on time sheets and leave charged on accrual records. The time-keeper maintains the leave accruals; however, no review is made of her work to determine the accuracy of time recorded as earned and taken, nor the mathematical computations of accruals. The Payroll Supervisor stated no review is made due to the lack of staff.

We recommend MOCC comply with the Division of Personnel's Administrative Rule, Sections 15.03 and 15.04, adjust the employees' leave balances to reflect the appropriate amounts and strengthen internal controls over the timekeeping function.

Agency's Response

The Associate Warden of Administration will randomly select ten (10) individuals monthly to audit time sheets, leave slips, overtime pay, holiday pay, accrual of leave to strengthen internal control for proper documentation and error detection. Employees do receive a copy of their sick and annual leave accrual for verification. We need the documentation of the individual's time that was found in error, so it may be corrected as you recommend.

Inmate Medical Expense Fund

We were unable to audit \$958,364.98 of expenditures made on behalf of MOCC to medical providers from the Inmate Medical Expense Fund (0450-535), a Division of Correction's account, because MOCC could not locate the supporting documentation for the transactions.

We asked the Division of Corrections if any expenses were paid on behalf of MOCC from any other funds under the Division's administration. The Division stated the Inmate

Medical Expense Fund (0450-535) spent \$1,159,290.76 and \$1,565,137.72 for fiscal years 1998 and 1997, respectively. For fiscal year 1998, \$263,625.56 was paid directly to the medical service provider and \$895,665.50 was paid to MOCC to reimburse for medical expenses. For fiscal year 1997, \$694,739.72 was paid to the medical services provider and \$870,398.00 was paid to MOCC to reimburse for medical expenses.

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...."

The transactions originated at the Division of Correction's office and the supporting documentation for the payments to the medical provider were sent to MOCC according to the Director of Finance. The Associate Warden of Administration at MOCC stated in a memorandum, "... As you are aware, staffing in the Business Office has changed considerably over the last two years and unfortunately, we are unable to locate files of this nature...." Because of the lack of documentation, we are unable to audit the

transactions totaling \$263,625.26 and \$694,739.72 for fiscal years 1998 and 1997, respectively.

We recommend MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and maintain supporting documentation for transactions.

Agency's Response

Some of these payments were initiated by the Central Office to assist MOCC due to a shortage of staff and all supporting documentation was sent to MOCC - the appropriate cost center - for file retention. MOCC's Financial Office is aware of the proper retention of documentation and records.

SECURITY

Unaccounted for Weapons

The weapons located at the WV MOCC at Moundsville were transferred to Mount Olive upon closing of the old institution in 1995. We were unable to account for three weapons which were listed as being transferred to MOCC. Policy Directive No. 270.02, Section 2.03A of the Standardization, Purchase & Inventory of Firearms states in part,

"... the Coordinator is tasked to: A. Maintain an accurate inventory of all firearms, ammunition, chemical agents and related equipment"

We compared the final Moundsville weapon inventory to the current inventory at Mount Olive to determine whether weapons were transferred and accounted for. Based on our test, we were unable to locate three weapons noted on Moundsville's final inventory as follows:

.357 Mod. 65..... Serial Number: 1D52408
.357 Mod. 681..... Serial Number: 39344
Derringer .22 Magnum Cal..... Serial Number: 1815908

We requested the assistance of MOCC staff to locate the missing weapons. It appears MOCC was aware of one of the missing weapons, a .22 Derringer, and the Deputy Warden believes a typographical error in one digit of the serial number on the Mount Olive inventory records could account for another weapon. We accounted for a .357 Mod. 65 weapon with a serial number of 1D52508. However, no explanation was provided for the third weapon, a .357 Model 681.

We recommend MOCC comply with the Policy Directive and keep an adequate controls over safeguarding and accounting for weapons.

Agency's Response

To the best of my knowledge the .22 Derringer was stolen, and reported to the State Police as such, from a display at the old West Virginia Penitentiary. We continue to investigate the .357, Model 681. The serial number 39344, is not a valid Smith & Wesson number.

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 MOCC for the years ended June 30, 1998 and June 30, 1997. The financial statement is the responsibility of the management of MOCC. Our responsibility is to express an opinion on the financial statement based on our audit.

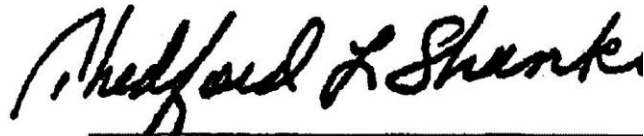
We conducted our audit in accordance with generally accepted auditing standards. Those standards requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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 MOCC for the years ended June 30, 1998 and June 30, 1997, 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,



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

April 1, 1999

Auditors: Michael A. House, CPA, Supervisor
Jean Ann Waldron, Auditor-in-Charge
Rhonda L. Combs
Larry D. Bowman
Noah E. Cochran, CPA
Timothy Butler, CPA

**MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENT OF APPROPRIATIONS/CASH RECEIPTS,
EXPENDITURES/DISBURSEMENTS AND CHANGES
IN FUND BALANCES**

	<u>Year Ended June 30, 1998</u>		
	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts	\$15,442,911.00	\$1,334,715.41	\$16,777,626.41
Expenditures/Disbursements:			
Personal Services	7,058,764.95	0.00	7,058,764.95
Employee Benefits	2,319,653.86	0.00	2,319,653.86
Current Expenses	4,492,231.95	0.00	4,492,231.95
Repairs and Alterations	138,381.50	0.00	138,381.50
Equipment	137,018.01	0.00	137,018.01
Other Inmate Medical Expenses	895,665.50	0.00	895,665.50
Inmate Funds and Benefits	<u>0.00</u>	<u>1,445,878.07</u>	<u>1,445,878.07</u>
	<u>15,041,715.77</u>	<u>1,445,878.07</u>	<u>16,487,593.84</u>
Appropriations/Cash Receipts Over/ (Under) Expenditures/ Disbursements	401,195.73	(111,162.66)	290,032.57
Expirations and Expenditures After June 30	(1,296,860.73)	0.00	(1,296,860.73)
Beginning Balance	0.00	394,043.38	394,043.38
Transfers from Division of Corrections Fund (0450-535)	<u>895,665.50</u>	<u>0.00</u>	<u>895,665.50</u>
Ending Balance	<u>\$ 0.00</u>	<u>\$ 282,880.72</u>	<u>\$ 282,880.72</u>

See Notes To Financial Statement

Year Ended June 30, 1997

<u>General Revenue</u>	<u>Trust Funds</u>	<u>Combined Totals</u>
\$15,442,911.00	\$1,331,293.12	\$16,774,204.12
7,324,467.16	0.00	7,324,467.16
2,343,638.25	0.00	2,343,638.25
4,369,018.49	0.00	4,369,018.49
107,758.27	0.00	107,758.27
192,006.48	0.00	192,006.48
870,398.00	0.00	870,398.00
<u>0.00</u>	<u>1,274,908.17</u>	<u>1,274,908.17</u>
<u>15,207,286.65</u>	<u>1,274,908.17</u>	<u>16,482,194.82</u>
235,624.35	56,384.95	292,009.30
(1,106,022.35)	0.00	(1,106,022.35)
0.00	337,658.43	337,658.43
<u>870,398.00</u>	<u>0.00</u>	<u>870,398.00</u>
<u>\$ 0.00</u>	<u>\$ 394,043.38</u>	<u>\$ 394,043.38</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

NOTES TO FINANCIAL STATEMENT

Notes A - Accounting Policies

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 with 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>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
<u>\$1,294,675.88</u>	<u>\$1,105,962.11</u>	<u>\$2,184.85</u>	<u>\$60.24</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. MOCC matches contributions as 9.5% of the compensation on which the employees made contributions. MOCC's pension expenditures were as follows:

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
General Revenue	<u>\$671,752.79</u>	<u>\$704,620.41</u>

Note C - According to the Division of Corrections, the following expenditures were paid by the Division on behalf of MOCC. These expenditures were paid from the Inmate Medical Expense Fund (0450-535):

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Payments to Medical Providers	<u>\$263,625.56</u>	<u>\$694,739.72</u>

Note D - Intra-Account Transfers

The following intra-account transactions have been eliminated:

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Trust Funds	<u>\$787,683.09</u>	<u>\$742,514.18</u>

SUPPLEMENTAL INFORMATION

MOUNT OLIVE CORRECTIONAL COMPLEX

STATEMENT OF APPROPRIATIONS AND EXPENDITURES

GENERAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
Appropriations	\$15,442,911.00	\$15,442,911.00
Transfers from Division of Corrections Fund (0450-535)	<u>895,665.50</u>	<u>870,398.00</u>
	16,338,576.50	16,313,309.00
Expenditures:		
Personal Services	7,468,089.79	7,645,070.22
Employee Benefits	2,665,217.64	2,743,537.11
Current Expenses	5,807,841.43	5,563,522.66
Repairs and Alterations	206,864.22	134,282.96
Equipment	<u>188,378.57</u>	<u>226,835.81</u>
	<u>16,336,391.65</u>	<u>16,313,248.76</u>
	2,184.85	60.24
Transmittals Paid After June 30	<u>1,294,675.88</u>	<u>1,105,962.11</u>
Balance	<u>\$ 1,296,860.73</u>	<u>\$ 1,106,022.35</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
<u>Warden's Trustee Account - Drawing</u>		
Beginning Balance	\$ 40,923.84	\$ 35,400.96
Cash Receipts	<u>1,071,230.55</u>	<u>1,034,528.74</u>
TOTAL CASH TO ACCOUNT FOR	<u><u>\$1,112,154.39</u></u>	<u><u>\$1,069,929.70</u></u>
Cash Disbursements	\$1,064,036.44	\$1,029,005.86
Ending Balance	<u>48,117.95</u>	<u>40,923.84</u>
TOTAL CASH ACCOUNTED FOR	<u><u>\$1,112,154.39</u></u>	<u><u>\$1,069,929.70</u></u>
<u>Warden's Trustee Account - Savings</u>		
Beginning Balance	\$ 157,732.40	\$ 123,387.49
Cash Receipts	<u>81,654.41</u>	<u>73,494.27</u>
TOTAL CASH TO ACCOUNT FOR	<u><u>\$ 239,386.81</u></u>	<u><u>\$ 196,881.76</u></u>
Cash Disbursements	\$ 56,534.79	\$ 39,149.36
Ending Balance	<u>182,852.02</u>	<u>157,732.40</u>
TOTAL CASH ACCOUNTED FOR	<u><u>\$ 239,386.81</u></u>	<u><u>\$ 196,881.76</u></u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
<u>Inmate Benefit Fund</u>		
Beginning Balance	\$152,168.79	\$125,298.30
Cash Receipts:		
Telephone Commissions	128,941.81	105,796.33
Interest	4,000.65	3,811.27
Miscellaneous	12,809.49	6,876.51
	<u>145,751.95</u>	<u>116,484.11</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$297,920.74</u>	<u>\$241,782.41</u>
Cash Disbursements:		
Commissary Computer System	\$ 72,561.00	\$ 0.00
Reimbursements for State Employee Labor	34,255.79	18,734.17
Contract Wages	25,607.67	0.00
College Tuition	18,400.00	19,086.00
Inmate Bonuses	3,747.00	2,367.52
Miscellaneous	121,704.97	49,425.93
	<u>276,276.43</u>	<u>89,613.62</u>
Ending Balance	<u>21,644.31</u>	<u>152,168.79</u>
TOTAL CASH ACCOUNTED FOR	<u>\$297,920.74</u>	<u>\$241,782.41</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
<u>Exchange Account</u>		
Beginning Balance	\$40,977.30	\$44,767.72
Cash Receipts:		
Inmate Sales	754,006.14	674,240.39
Staff Sales, Visitation And Other Receipts	<u>34,523.56</u>	<u>104,316.36</u>
	<u>788,529.70</u>	<u>778,556.75</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$829,507.00</u>	<u>\$823,324.47</u>
Cash Disbursements		
Purchases	\$753,865.76	\$765,618.71
Contract Labor	41,876.89	9,918.09
Miscellaneous	<u>7,099.40</u>	<u>6,810.37</u>
	802,842.05	782,347.17
Ending Balance	<u>26,664.95</u>	<u>40,977.30</u>
TOTAL CASH ACCOUNTED FOR	<u>\$829,507.00</u>	<u>\$823,324.47</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
 <u>Arts and Craft Fund</u>		
Beginning Balance	\$ 1,861.10	\$ 7,266.98
Cash Receipts:		
Trustee Transfers	18,385.19	40,496.79
Sales	11,540.60	24,769.76
Miscellaneous	5,091.09	626.69
	35,016.88	65,893.24
 TOTAL CASH TO ACCOUNT FOR	 <u>\$36,877.98</u>	 <u>\$73,160.22</u>
 Cash Disbursements:		
Inmate Supply Orders	\$14,581.20	\$44,866.34
Trustee Transfers	11,043.49	20,532.20
Miscellaneous	7,651.80	5,900.58
	33,276.49	71,299.12
 Ending Balance	 3,601.49	 1,861.10
 TOTAL CASH ACCOUNTED FOR	 <u>\$36,877.98</u>	 <u>\$73,160.22</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNTS

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
<u>Jaycee's Account</u>		
Beginning Balance	\$0.00	\$ 781.86
Cash Receipts:		
Inmate Picture Sales	<u>0.00</u>	<u>4,465.00</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$0.00</u>	<u>\$5,246.86</u>
Cash Disbursements:		
Film Purchases and Miscellaneous	\$0.00	\$5,246.86
Ending Balance	<u>0.00</u>	<u>0.00</u>
TOTAL CASH ACCOUNTED FOR	<u>\$0.00</u>	<u>\$5,246.86</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
LOCAL ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>1998</u>	<u>1997</u>
<u>Media/Inmate Repair Account</u>		
Beginning Balance	\$379.95	\$ 755.12
Cash Receipts	215.01	385.19
TOTAL CASH TO ACCOUNT FOR	\$594.96	\$1,140.31
Cash Disbursements	\$594.96	\$ 760.36
Ending Balance	0.00	379.95
TOTAL CASH ACCOUNTED FOR	\$594.96	\$1,140.31

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

LOCAL ACCOUNT

	Year Ended June 30,	
	1998	1997
<u>Travel/Discharge Account</u>		
Beginning Balance	\$ 1,244.84	\$ 1,165.43
Cash Receipts:		
Travel Advances	18,000.00	18,000.00
Parole and Discharge Advances	6,000.00	6,000.00
Redeposits	2,755.94	3,078.91
	<u>26,755.94</u>	<u>27,078.91</u>
TOTAL CASH TO ACCOUNT FOR	<u>\$28,000.78</u>	<u>\$28,244.34</u>
Cash Disbursements:		
Reimbursements to State to Settle		
Travel Advances	\$12,369.84	\$12,468.39
Reimbursements to State to Settle		
Parole and Discharge Advances	4,316.11	4,813.70
Travel and Discharge Expenses	10,282.81	9,717.41
	<u>26,968.76</u>	<u>26,999.50</u>
Ending Balance	<u>1,032.02</u>	<u>1,244.84</u>
TOTAL CASH ACCOUNTED FOR	<u>\$28,000.78</u>	<u>\$28,244.34</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 1998

Inmate Benefit Fund

Balance per Bank		\$23,992.53
Less: Outstanding Checks		
Check No.	1496	1,148.22
	1497	480.00
	1505	<u>720.00</u>
		<u>2,348.22</u>
Balance per Book		<u>\$21,644.31</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 1998

Exchange Account

Balance per Bank \$35,070.48

Add: Deposits-in-Transit 23,633.56

Less: Outstanding Checks

Check No.	2659	469.10
	2692	748.00
	2694	476.96
	2699	799.60
	2700	1,737.72
	2701	495.00
	2702	2,389.31
	2703	965.09
	2704	10,926.39
	2705	1,011.32
	2706	4,941.37
	2707	620.42
	2708	1,445.20
	2709	752.88
	2710	574.13
	2711	2,750.27
	2712	936.33
		<u>32,039.09</u>

Balance per Book \$26,664.95

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 1998

Arts and Craft Fund

Balance per Bank \$2,909.23

Add: Deposits-in-Transit 1,007.98

Less: Checks Outstanding

Check No.	1131	3.00
	1370	15.00
	1498	12.00
	1741	6.67
	1744	13.89
	1745	17.85
	1746	27.37
	1747	48.96
	1748	79.85
	1749	43.95
	1751	47.18
		<u>315.72</u>

Balance per Book \$3,601.49

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATIONS

JUNE 30, 1998

Jaycee's Account

Balance per Bank and Book ** \$.00

Media/Inmate Repair Account

Balance per Bank and Book * \$ 0.00

Travel/Discharge Account

Balance per Bank \$1,076.97

Less: Outstanding Checks

Check No. 568 44.95

Balance per Book \$1,032.02

* Account closed April 20, 1998

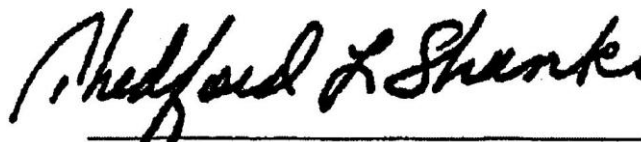
** Account closed February 14, 1997

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report of audit 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 12th day of September 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 Mount Olive Correctional Complex; the West Virginia Division of Corrections; Governor; Attorney General; and State Auditor.