

Master

STATE OF WEST VIRGINIA
AUDIT REPORT
OF

WEST VIRGINIA PRISON INDUSTRIES
FOR THE PERIOD
JULY 1, 1979 - JUNE 30, 1983



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

WEST VIRGINIA PRISON INDUSTRIES

FOR THE PERIOD

JULY 1, 1979 - JUNE 30, 1983

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the accounts of West Virginia Prison Industries.

Our examination covers the period July 1, 1979 through June 30, 1983. The results of this examination are set forth on the following pages of this report. However, only the financial statements for the years ended June 30, 1983 and June 30, 1982 are included in this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thedford L. Shanklin".

Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

TLS/nkk

WEST VIRGINIA PRISON INDUSTRIES

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WEST VIRGINIA PRISON INDUSTRIES

ACKNOWLEDGMENT

We extend our thanks and appreciation to the Assistant Commissioner, Prison Industries and its staff for their cooperation in supplying information necessary in preparing this report.

WEST VIRGINIA PRISON INDUSTRIES

EXIT CONFERENCE

We met with the Commissioner, Assistant Commissioners and the Director of Fiscal Administration and discussed our findings and recommendation with them. The above named officials concurred with our findings and recommendations and their responses are included in italics in the Summary of Findings, Recommendations and Responses and the General Remarks section of this report.

WEST VIRGINIA PRISON INDUSTRIES

FINANCIAL HISTORY

West Virginia Prison Industries is supposed to be self-sustaining and funded from its collections. The West Virginia Code, Chapter 28, Article 5B, Section 13 shows an initial appropriation of \$50,000.00 in the year 1939. This appropriation was for buildings, equipment, etc., and for self-liquidating contracts. A total of \$500,297.81 was expended from General Funds, fiscal 75-76, \$99,881.49 and fiscal 76-77, \$400,416.32, respectively, by the Commissioner of Public Institutions. This money was provided to place Industries in a stable financial position. \$151,473.63 were expended from General Fund monies by the Department of Corrections during fiscal year 1977-78 for new equipment; \$90,000.00 and \$8,805.07 for fiscal years 1979-80 and 1980-81, respectively, were expended from General Fund monies by the West Virginia Penitentiary for new equipment; also, the Penitentiary expended from General Fund monies \$416.00 and \$1,656.08 for fiscal years 1981-82 and 1982-83, respectively, for operating expenses. In addition to the above expenditures, a steel building was erected during fiscal year 1974-75 at a cost of \$351,186.00 which was funded from General Fund monies by the West Virginia Penitentiary. Also, the Penitentiary expended General Fund monies of \$15,987.35 and \$86,179.44 for fiscal years 1981-82 and 1982-83, respectively. This money was for capital improvements and repairs and alterations. This brings the total General Fund monies expended for the operation of Industries to \$1,256,001.38; of this amount, \$1,206,001.39 have been expended during fiscal year 1974 through fiscal year 1983.

WEST VIRGINIA PRISON INDUSTRIES

INTRODUCTION

West Virginia Prison Industries was established under the West Virginia Code, Chapter 28, Article 5B "Prison - Made Goods," Section 1-17. The purpose of this agency is to provide adequate, regular and suitable employment for inmates of the State, consistent with proper penal purposes, to further utilize the labor of inmates for self-maintenance and reimbursing this State for expenses incurred by reason of their crimes and imprisonment and to effect the requisitioning and disbursements of prison products directly through established State authorities with no possibility of private profit therefrom. Sale of prison made goods on the open market is prohibited and is confined to agencies or political sub-divisions of this State.

West Virginia Prison Industries business office was located at the West Virginia State Penitentiary, 818 Jefferson Avenue, Moundsville, West Virginia, through fiscal year 1982. During fiscal year 1983, the business office and all financial affairs were transferred to the Department of Corrections Offices, Building No. 4, State Capitol Complex, Charleston, West Virginia. Industries occupies at West Virginia State Penitentiary, Moundsville, West Virginia, a 200' wide x 200' long x 16' high steel building with reinforced concrete floor, which houses a Print Shop, License Tag Plant and Sign Shop. Also, Industries operates a Clothing Factory and Carpenter Shop at Huttonsville Correctional Center, Huttonsville, West Virginia.

WEST VIRGINIA PRISON INDUSTRIES
ADMINISTRATIVE OFFICERS AND STAFF

During the audit period this agency was under the jurisdiction of the following:

Commissioner of Corrections	W. Joseph McCoy
Assistant Commissioner - Prison Industries	Fred Rusmisell
Supervisor, License Tag Plant	Charles McCracken
Supervisor, Sign Shop	Steve Nemeth
Supervisor, Mattress Factory	B. J. Shelton
Supervisor, Print Shop	Harry Parchall
Division Director	John Burger
Supervisor, Clothing Factory	Theresa Gwinn
Supervisor, Auto Body Shop	Darrell Serrett
Carpenter Shop	George Diaz
Business Manager	Brent Boggs
Accountant	Luther Williams
Purchasing Agent	Kenneth Hinds
Section Chief I	Edith Eileen Spear
Clerk I	Stephanie A. Spense
Clerk I	Rose Barker

WEST VIRGINIA PRISON INDUSTRIES
SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

AREAS OF NONCOMPLIANCE

Intent of Article

1. The operation of Prison Industries is not a success. This condition was cited in our prior audit covering the period July 1, 1977 through June 30, 1979. In order to comply with Chapter 28, Article 5B, Section 1 of the West Virginia Code, we recommended an indepth study be made of Prison Industries and the study be directed toward the furnishing of inmates' employment consistent with proper penal purposes; labor be utilized for inmates' self-maintenance; and, reimbursing the State for expenses incurred by reason of the crime and imprisonment.

We again recommend the above.

We are rectifying those weaknesses and shortcomings articulated in the audit report. (See pages 9-11.)

Annual Statements

2. Chapter 28, Article 5B, Section 10 of the West Virginia Code requires that annual statements be prepared in a just and true manner. We found just as in our prior audit period (July 1, 1977 through June 30, 1979) Prison Industries did not prepare a just and true income statement for the current audit period. This was brought about because the records were in such a poor and incomplete condition.

Just as we recommended in the prior audit, we again recommend Prison Industries comply with Chapter 28, Article 5B, Section 10 of the West Virginia Code, as amended. Also, we again recommend Prison Industries

maintain a complete set of ledgers so that reliable financial statements can be prepared.

We are rectifying those weaknesses and shortcomings articulated in the audit report. (See page 10.)

WEST VIRGINIA PRISON INDUSTRIES

GENERAL REMARKS

INTRODUCTION

We have completed a financial and compliance audit of the West Virginia Prison Industries. A financial and compliance audit determines whether the financial statements of an audited entity presents fairly the financial position and the results of financial operations in accordance with generally accepted accounting principles and whether the entity has complied with laws and regulations that may have a material effect upon the financial statements. The audit covered the period July 1, 1979 through June 30, 1983.

APPROPRIATED ACCOUNTS

Special appropriations for additional equipment and parcel general operation of West Virginia Prison Industries was funded through West Virginia Penitentiary as follows:

<u>Account Number</u>	<u>Description</u>
3750-06	Equipment
3750-07	Equipment
3750-08 (Parcel)	Capital Outlay

SPECIAL REVENUE ACCOUNT

Revenue generated by West Virginia Prison Industries is deposited in the account, as provided in the West Virginia Code, and is used for general operation. Balances in the account are carried forward to the following fiscal year. The following special revenue account was active during the audit period:

<u>Account Number</u>	<u>Description</u>
8222-05	Prison Industries, Operating Account Receives funds resulting from the sales or articles and products manufactured.

AREAS OF NONCOMPLIANCE

Chapter 28, Article 5B "Prison-Made Goods" generally governs the West Virginia Prison Industries. We tested applicable sections of the above plus general State regulations and other applicable chapters, articles and sections of the West Virginia Code as they pertain to fiscal matters. Our findings are listed below.

Intent of Article

§ 28-5B-1. Intent of article.

Whereas, the means now provided for the employment of convict labor are inadequate to furnish a sufficient number of convicts with employment, it is hereby declared to be the intent of this article:

(a) To further provide more adequate, regular and suitable employment for the convicts of this State, consistent with proper penal purposes;

(b) To further utilize the labor of convicts for self-maintenance and for reimbursing this State for expenses incurred by reason of their crimes and imprisonment;

(c) To effect the requisitioning and disbursement of prison products directly through established state authorities with no possibility of private profits therefrom. (1939, c. 104, § 1.)

The operation of Industries as reflected in this report is not a success from the standpoint of and in view of, the monies appropriated by the Legislature coupled with their inability to operate profitably. This condition was cited in our prior audit covering the period July 1, 1977 through June 30, 1979 and the following recommendation was made.

We recommended an indepth study be made of Industries, the study be directed toward the furnishing of inmates' employment consistent with proper penal purposes; labor be utilized for inmates' self-maintenance; and, reimbursing the State for expenses incurred by reason of their crimes and imprisonment.

During the audit period, Industries received \$100,877.15 from the General Revenue Fund appropriations. Along with General Revenue Funds received prior to July 1, 1979, the total funds received to date amounted to \$802,648.79. Of this amount, \$752,648.79 were received during the fiscal year 1976 through fiscal year 1983.

Industries' earned profits (losses) for the audit period were as follows:

Fiscal Year Ended June 30, 1980	(\$151,355.07)
Fiscal Year Ended June 30, 1981	68,752.85
Fiscal Year Ended June 30, 1982	55,130.92
Fiscal Year Ended June 30, 1983	<u>(110,969.30)</u>
Net Loss For This Audit Period	<u>(\$138,440.60)</u>

The loss for this audit period along with the loss of \$98,252.93 at the close of our prior audit reflect a total loss of \$236,693.53. The total loss reflects the following:

Capital:	
General Revenue Fund Received	\$802,648.79
Earned Profit (Loss)	<u>(236,693.53)</u>
Fund Balance June 30, 1983	<u>\$565,955.26</u>

Other factors which should be considered concerning Industries' operations are as follows:

1. Industries' fixed assets (Equipment) were not depreciated. The recorded cost of the assets were \$422,510.05 as of June 30, 1983.
2. Industries pays no rent or overhead for the administrative offices located in Building No. 4, State Capitol Complex, Charleston, West Virginia.
3. Industries' shops and factories are located at the West Virginia Penitentiary, Moundsville, West Virginia. The building which houses their factories and shops was erected during fiscal year 1974-75 at a cost of \$351,186.00 and \$102,166.79 have been expended in addition to the cost of erection. The monies for erection and other building expenditures were received from the State General Revenue Fund. These funds were appropriations of money to the West Virginia Penitentiary. Industries, which occupies most of the building, pays no rent or electricity and water is furnished by the Penitentiary.

We recommend Industries comply with our recommendation made in our prior audit which covered the period July 1, 1977 through June 30, 1979 for the

purpose of assurance that the intent of Chapter 28-5B-10 of the West Virginia Code be complied with in its entirety.

As you are aware, I have been acutely concerned regarding the status of the operations and fiscal management of West Virginia Prison Industries.

In fact, the impetus for this audit report was initiated at my personal request to the Legislative Auditor so that the perceived deficiencies and liabilities noted in this document could be properly targeted and defined in scope to ably guide me in making rational and prudent decisions in the administration and functions of West Virginia Prison Industries.

To date, I am pleased with the progress achieved by the present Prison Industries administration in rectifying those weaknesses and shortcomings articulated in the audit report. Tangible advances have occurred in establishing a meaningful accounts receivable, accounts payable and equipment depreciation schedules for all facets of the Prison Industries system.

I am confident that such improvement will continue so that West Virginia Prison Industries may become a fully accountable and vibrant operation of the Department of Corrections.

Annual Statements

§ 28-5B-10. Annual statements by heads of penal institutions.

The warden of the penitentiary and the manager or authorities by whatever name known having charge of the penal institutions of this State shall annually make a full detailed statement of all materials, machinery, or other property procured, and the cost thereof, and of the expenditures made during the last preceding year for manufacturing purposes, together with a statement of all materials then on hand to be manufactured, or in process of manufacture, or manufactured, and all machinery, fixtures or other appurtenances for the purpose of carrying on the labor of the convicts and the earnings realized during the last preceding year as the proceeds of the labor of the convicts at the penitentiary of such penal institutions of this State, which statement shall be verified by the oath of the warden or such manager or authorities having charge of such penal institutions to be just and true, and shall be by him or them forwarded to the state commissioner of public institutions within thirty days after the end of such last preceding year. (1939, c. 104, § 10.)

Income Statement

Industries did not prepare an income statement for fiscal year ended June 30, 1983. This was brought about because records were in such a poor and incomplete condition that a statement could not be prepared.

Sales

Industries overstated net sales for fiscal year ended June 30, 1980 by \$102,166.79 and understated net sales for fiscal years ended June 30, 1981 and June 30, 1982 by \$16,239.66 and \$46,655.26, respectively. This was brought about because sales were erroneously recorded. The understatement of net sales did in part contribute to Industries understating their loss for the fiscal year ended June 30, 1980 by \$139,853.14 and overstated earnings for fiscal years ended June 30, 1981 and June 30, 1982 by \$6,300.36 and \$24,983.25, respectively.

Cost of Goods Sold

Industries understated inventory of raw materials, manufacturing supplies and finished goods for the beginning of fiscal year ended June 30, 1980, by \$73,668.79. Also, purchases for fiscal years ended June 30, 1980 and June 30, 1981 were overstated by \$35,969.84 and \$1,332.10, respectively, and cost of goods sold were understated for fiscal years ended June 30, 1980, June 30, 1981 and June 30, 1982 by \$37,698.95, \$1,332.10 and \$65,053.81, respectively.

Operating Expenses

Industries understated operating expenses in the amount of \$24,294.78, \$21,207.92 and \$6,984.70 for the fiscal years ended June 30, 1980, June 30, 1981 and June 30, 1982, respectively. Also, there was no depreciation expense included in the above years.

Balance Sheet

Industries did not prepare a balance sheet for the fiscal years ended June 30, 1980, June 30, 1981, June 30, 1982 and June 30, 1983. However, Indus-

tries did maintain an accounts receivable and accounts payable ledger for the fiscal year ended June 30, 1980, June 30, 1981 and June 30, 1982 and at our request prepared a list of receivables and payables for the fiscal year ended June 30, 1983. Our reconstruction of the financial transactions of Industries for the years under examination determined discrepancies in balance sheet items as follows:

Accounts Receivable

Industries overstated accounts receivable as of June 30, 1980, June 30, 1981 and June 30, 1982 by \$21,137.22, \$31,412.30 and \$11,806.85, respectively. This was brought about because money was received and deposited with the State Treasury before June 30 of each year and not posted in the accounts receivable ledger.

Industries did not maintain an accounts receivable ledger as of June 30, 1983. We requested they prepare a list of receivables as of June 30, 1983 which amounted to \$92,854.45. From examination of Industries' accounts receivables, which included mailing of confirmation letters, we were able to determine the receivables were overstated by \$17,302.20.

This was brought about because of the following:

Accounts Receivable June 30, 1983	\$92,854.45
Invoice Overstated	(23,328.00)
Invoice Not Listed	34.00
Invoice Not Listed	10,500.00
Account Understated	167.01
Invoices Listed Paid Before June 30, 1983	<u>(4,675.21)</u>
	<u>\$75,552.25</u>

Accounts Payable

Industries did not maintain an accounts payable ledger as of June 30, 1983. We requested they prepare a list of payables as of June 30, 1983. This list amounted to \$153,316.53. From examination of Industries' accounts payable, which included mailing of verification letters, we were able to determine the payables were understated by \$23,121.27.

This was brought about because of the following:

Accounts Payable June 30, 1983	\$153,316.53
Paid After July 1, 1983 - Not Listed	6,439.37
Additions Based on Vendor Verification	235.71
Deletions Based on Vendor Verification	(1,195.21)
Invoice - Not Listed	<u>17,641.40</u>
	<u>\$176,437.80</u>

Accrued Employees' Benefits Payable

Employee benefits payable were not under ledger control as of June 30, 1983. We requested they prepare a list of benefits payable as of June 30, 1983. This list amounted to \$1,977.65. We were able to determine the employees' benefits payable were understated by \$919.54.

This was brought about because of the following:

Employees' Benefits Payable June 30, 1983	\$1,977.65
Insurance Payable for June \$843.14, which should have been \$992.60	149.46
Workmen's Compensation Payable Not Listed	<u>770.08</u>
	<u>\$2,897.19</u>

Equipment

Industries did not maintain an equipment inventory ledger or an accumulated depreciation account as of June 30, 1983. Also, no current computer inventory was available from the Department of Finance and Administration, Inventory Division.

We requested that Industries personnel establish an accumulated depreciation account and furnish them with a list of all equipment on record, valued at more than \$100.00 as of June 30, 1979 (Prior Audit Closing Date). The purpose of our request was so accumulated depreciation could be determined as of July 1, 1979 which is our audit period beginning date. We proposed to restate the June 30, 1979 balance sheet by making allowance for depreciation expense. Our request was not complied with. We requested Industries personnel to furnish us an up-dated equipment inventory as of June 30, 1983 and the inventory be

delivered to us under authorized signature. Also, this request was not complied with.

As of June 30, 1983, Industries' total equipment purchase value of \$100.00 or more, amounted to \$422,510.15. This amount was established as follows:

Equipment on Records June 30, 1977 - Our Prior Audit Closing Date	\$292,442.28
Purchases July 1, 1979 - June 30, 1980	94,890.00
Purchases July 1, 1980 - June 30, 1981	13,675.57
Purchases July 1, 1981 - June 30, 1982	14,248.49
Purchases July 1, 1982 - June 30, 1983	<u>7,253.81</u>
	<u>\$422,510.15</u>

Just as we recommended in the prior audit, we again recommend Prison Industries comply with Chapter 28, Article 5B, Section 10 of the West Virginia Code, as amended. Also, we again recommend Prison Industries maintain a complete set of ledgers so that reliable financial statements can be prepared.

As you are aware, I have been acutely concerned regarding the status of the operations and fiscal management of West Virginia Prison Industries.

In fact, the impetus for this audit report was initiated at my personal request to the Legislative Auditor so that the perceived deficiencies and liabilities noted in this document could be properly targeted and defined in scope to ably guide me in making rational and prudent decisions in the administration and functions of West Virginia Prison Industries.

To date, I am pleased with the progress achieved by the present Prison Industries administration in rectifying those weaknesses and shortcomings articulated in the audit report. Tangible advances have occurred in establishing a meaningful accounts receivable, accounts payable and equipment depreciation schedules for all facets of the Prison Industries system.

I am confident that such improvement will continue so that West Virginia Prison Industries may become a fully accountable and vibrant operation of the Department of Corrections.

INTERNAL CONTROLS AND ACCOUNTING SYSTEM

As a part of our examination, we reviewed and tested the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the fiscal year ended June 30, 1983, which was made for the purpose set forth in the first paragraph above, would not necessarily disclose all weaknesses in the system. However, such study and evaluation disclosed no condition that we believe to be material weaknesses other than those discussed under "AREAS OF NONCOMPLIANCE."

WEST VIRGINIA PRISON INDUSTRIES

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

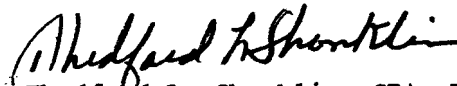
We have examined the balance sheet of Prison Industries at June 30, 1983 and June 30, 1982 and the related statements of income (loss), fund balance and changes in financial position for the years then ended. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and auditing procedures that we considered necessary in the circumstances.

As described in Note B in notes to financial statement, Prison Industries does account for accumulated depreciation in depreciation expense which is not in conformity with generally accepted accounting principles. The equipment records were such that we were unable to apply alternative procedures to satisfy ourselves as to the fairness of the amounts.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had Prison Industries maintained adequate records of their equipment, the financial statements referred to above present fairly the financial position of West Virginia Prison at June 30, 1983 and June 30, 1982 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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

Respectfully submitted,



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

Date: October 24, 1983

Auditors: Paul A. Warren, Auditor-in-Charge
Gary R. Baker
John W. Bower
Ron F. Osmianski

WEST VIRGINIA PRISON INDUSTRIES

BALANCE SHEET

	<u>1983</u>	<u>June 30,</u> <u>1982</u>
<u>Assets</u>		
Current Assets:		
Cash - State Treasury	\$119,658.18	\$ 31,311.49
Inventory	130,848.32	200,514.18
Accounts Receivable	75,552.75	58,704.12
	<u>326,059.25</u>	<u>290,529.70</u>
Fixed Assets:		
Equipment	422,510.15	415,256.34
Total Assets	<u>\$748,569.40</u>	<u>\$705,786.13</u>
<u>Liabilities and Fund Balance</u>		
Current Liabilities:		
Accounts Payable	\$176,437.80	\$ 24,221.60
Accrued Payroll	2,436.01	2,099.45
Payroll Taxes	843.14	1,075.00
Employees' Benefits	2,897.19	3,121.60
	<u>182,614.14</u>	<u>30,517.65</u>
Fund Balance	<u>565,955.26</u>	<u>675,268.48</u>
Total Liabilities and Fund Balances	<u>\$748,569.40</u>	<u>\$705,786.13</u>

See notes to financial statement.

WEST VIRGINIA PRISON INDUSTRIES

STATEMENT OF PROFIT, (LOSS) AND CHANGES IN FUND BALANCE

	Year Ended June 30,	
	1983	1982
Revenue:		
Net Sales	\$549,213.47	\$681,030.38
Cost of Goods Sold:		
Beginning Inventory	200,514.18	179,201.70
Purchases	274,939.63	294,915.37
Merchandise Available for Sale	475,453.81	474,117.07
Less Ending Inventory	130,848.32	200,514.18
Cost of Goods Sold	344,605.49	273,602.89
Gross Profit	204,607.98	407,427.49
Operating Expenses:		
Personal Services	213,635.23	217,347.28
Current Expenses	103,655.12	132,613.12
Repairs and Alterations	6,381.57	2,335.78
Equipment (Small Tools and Other)	705.06	-0-
	324,376.98	352,296.57
Net Operating (Loss) Income	(119,769.00)	55,130.92
Other Revenue:		
Closing of Clothing Factory	8,799.70	-0-
Net (Loss) Income	(110,969.30)	55,130.92
Beginning Fund Balance	675,268.48	619,721.56
State General Revenue Fund	1,656.08	416.00
Ending Fund Balance	\$565,955.26	\$675,268.48

See notes to financial statement.

WEST VIRGINIA PRISON INDUSTRIES

STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Year Ended June 30,</u>	
	<u>1983</u>	<u>1982</u>
Funds Provided:		
From Operations (Loss) Net Income	(\$119,769.00)	\$ 55,130.92
State General Revenue Fund	1,656.08	416.00
Closing of Clothing Factory	8,799.70	-0-
Total	<u>(109,313.22)</u>	<u>55,546.92</u>
Funds Used:		
Purchases of Equipment	<u>7,253.81</u>	<u>14,248.49</u>
(Decrease) Increase in Working Capital	<u>(\$116,567.03)</u>	<u>\$ 41,298.43</u>
Changes in Components of Working Capital		
Increase (Decrease) in Current Assets:		
Cash	\$ 88,346.69	(\$ 2,825.39)
Accounts Receivable	16,848.63	22,795.95
Inventory	<u>(69,665.86)</u>	<u>21,312.48</u>
Increase in Current Assets	35,529.46	41,283.04
Increase (Decrease) in Current Liabilities:		
Accounts Payable	152,216.20	(282.06)
Accrued Payroll	336.56	(31.27)
Payroll Taxes	(231.86)	270.06
Employees' Benefits	(224.41)	27.88
Increase (Decrease) in Current Liabilities	<u>152,096.49</u>	<u>(15.39)</u>
(Decrease) Increase in Working Capital	<u>(\$116,567.03)</u>	<u>\$ 41,298.43</u>

See notes to financial statement.

WEST VIRGINIA PRISON INDUSTRIES

NOTES TO FINANCIAL STATEMENT

Note A - General

West Virginia Prison Industries was established under the West Virginia Code, Chapter 28, Article 53. The purpose of Prison Industries is to provide adequate, regular and suitable employment for inmates of the state, consistent with proper penal purposes, to further utilize the labor of inmates for self-maintenance and reimbursing the State for expenses incurred by reason of their crimes and imprisonment and to effect the requisitioning and disbursements of prison products directly through established State authorities with no possibility of private profit therefrom. Sale of prison made goods on the open market is prohibited and is confined to agencies and political subdivisions of the State.

Note B - Significant Accounting Policies

The accrual basis of accounting is followed, except accumulated depreciation and depreciation is not included in the balance sheet, the statement of profit (loss) and changes in fund balances and the statement of changes in financial position. This policy does not conform to generally accepted accounting principles.

Accounts Receivable: Prison Industries provides for possible losses (none in 1983 or 1982) in the collection of accounts receivable on an individual basis as considered necessary.

Operating Expenses: Prison Industries pays no rent or utilities on the building which houses the shops, factories and administrative offices.

Note C - Pension Plan

All eligible employees are members of the West Virginia Public Employees' Retirement System. Employees' contributions are 4½% of their compensation and employees have vested rights under certain circumstances. Contributions by Prison Industries are 9½% of the employees' compensation. Contributions by Prison Industries were as follows:

<u>Year Ended June 30,</u>	
<u>1983</u>	<u>1982</u>
<u>\$15,560.84</u>	<u>\$17,047.23</u>

SUPPLEMENTAL INFORMATION

WEST VIRIGNIA PRISON INDUSTRIES

STATEMENT OF APPROPRIATIONS, CASH RECEIPTS,

EXPENDITURES/DISBURSEMENTS AND CHANGES IN FUND BALANCES

	Year Ended June 30, 1983		
	<u>General Revenue</u>	<u>Special Revenue</u>	<u>Combined Totals</u>
Appropriations/Cash Receipts:			
Appropriations	\$ 1,656.08	\$ -0-	\$ 1,656.08
Collections - Prison Industries	-0-	532,364.84	532,364.84
Transfer - 8230-08	-0-	8,799.70	8,799.70
	<u>1,656.08</u>	<u>541,164.54</u>	<u>542,820.62</u>
Expenditures/Disbursements:			
Personal Services	-0-	213,298.67	213,298.67
Current Expenses	1,656.08	225,110.24	226,766.32
Repairs and Alterations	-0-	6,450.07	6,450.07
Equipment	-0-	7,958.87	7,958.87
	<u>1,656.08</u>	<u>452,817.85</u>	<u>454,473.93</u>
Appropriation/Cash Receipts Over (Under) Expenditures/Disbursements	-0-	88,346.69	88,366.69
Beginning Balance	-0-	31,311.49	31,311.49
Ending Balance	<u>\$ -0-</u>	<u>\$119,658.18</u>	<u>\$119,658.18</u>

Year Ended June 30, 1982

<u>General</u>	<u>Special</u>	<u>Combined</u>
<u>Revenue</u>	<u>Revenue</u>	<u>Totals</u>
\$ 416.00	\$ -0-	\$ 416.00
-0-	658,234.43	658,234.43
-0-	-0-	-0-
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
416.00	658,234.43	658,650.43
-0-	217,378.55	217,378.55
416.00	425,998.54	426,414.54
-0-	3,434.24	3,434.24
-0-	14,248.49	14,248.49
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
416.00	661,059.82	661,475.82
-0-	(2,825.39)	(2,825.39)
-0-	34,136.88	34,136.88
<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
\$ -0-	\$ 31,311.49	\$ 31,311.49

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, 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 28, Article 5B, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of January
1984.

Encil Bailey

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the Commissioner of the Department of Corrections; Director of West Virginia Prison Industries; Governor; Attorney General; and, State Auditor.