

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

**MOUNT OLIVE CORRECTIONAL COMPLEX
INMATE TRUSTEE DRAWING ACCOUNT
INMATE TRUSTEE SAVINGS ACCOUNT
COMMISSARY/EXCHANGE ACCOUNT
TRAVEL AND DISCHARGE ACCOUNT
ARTS AND CRAFTS PROGRAM ACCOUNT
EMPLOYEE ASSOCIATION ACCOUNT
INMATE BENEFIT FUND - ACCOUNT 6381**

FOR THE PERIOD

JULY 1, 2002 - JUNE 30, 2004



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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To the Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the Inmate Benefit Fund and the City National Bank Accounts of the Mount Olive Correctional Complex.

Our examination covers the period July 1, 2002 through June 30, 2004. The results of this examination are set forth on the following pages of this report.

Respectfully submitted,

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

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

TLS/jda

MOUNT OLIVE CORRECTIONAL COMPLEX

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MOUNT OLIVE CORRECTIONAL COMPLEX

EXIT CONFERENCE

We held an exit conference on December 22, 2004 with the Commissioner of the Division of Corrections, the Finance Director of the Division of Corrections, the Warden of the Mount Olive Correctional Complex and other representative of the Division of Corrections and the Mount Olive Correctional Complex. All findings and recommendations were reviewed and discussed. The above officials' responses are included in bold and 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 was closed.

Mount Olive Correctional Complex is situated on a 120-acre site near Mount Olive Church in Fayette County, West Virginia. Total construction cost for the project was \$61.8 million. The facility's 23 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, emergency 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, Paugh Hall, Birch Hall, Elm Hall, Oak Hall and Pine Hall. The Special population capacity for 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 houses 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, cubical partition shop, sign shop, welding shop, engraving shop and soap plant within the complex.

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, teacher's aides and others. The Institutional Jobs Coordinator oversees the general work program, providing work for approximately 500 men.

MOUNT OLIVE CORRECTIONAL COMPLEX

ADMINISTRATIVE OFFICERS AND STAFF

AS OF JUNE 30, 2004

Jim Rubenstein..... Commissioner, Division of Corrections

Thomas L. McBride Warden

Michael V. ColemanDeputy Warden

Stacy Thomas..... Associate Warden of Administration
(6/16/2000 - 6/30/2003)

I. L. Reed..... Associate Warden of Administration
(7/1/2003 - 10/31/2004)

Tim Whittington Associate Warden of Operations

William Vest Associate Warden of Security

Jennifer Ballard..... Associate Warden of Programs

Cheryl Chandler Executive Assistant

MOUNT OLIVE CORRECTIONAL COMPLEX

SUMMARY OF FINDINGS, RECOMMENDATIONS AND RESPONSES

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 and other rules and regulations, the MOCC did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations.

Auditor's Recommendation

We recommend the MOCC comply with Chapter 5A, Article 8, Section 9 (b) of the West Virginia Code, as amended, and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Agency's Response

We agree with a lack of an effective system of internal controls, however, we were addressing some of the weaknesses and all of the recommendations by our Internal Auditor after audit of the Inmate Exchange was completed. The Division is addressing this issue Division-wide through a strategic plan of review of current policies, operating procedures, job functions, segregation of duties, oversight management and random sampling audits on a cyclical basis. (See pages 23-26.)

INMATE EXCHANGE ACCOUNT:

Fraud in the Inmate Exchange Account

2. Our examination of the accounting and bank records of the MOCC Inmate Exchange (Commissary) confirmed a report by the Division of Corrections Internal Auditor showing that \$180,194.07 in Exchange moneys were converted to personal use, including 74 Exchange checks totaling \$165,754.033 that were diverted to the personal accounts of a former Exchange supervisor and cash receipts totaling \$13,427.28 that were not deposited in the Exchange bank account.

Auditor's Recommendation

We recommend the MOCC comply with Operational Procedure 1.10 and strengthen internal controls over the MOCC Exchange's cash receipts, sales and purchases.

Agency's Response

The agency's Internal Auditor was assigned to the Mt. Olive Correctional Complex to perform a complete audit due to the results of the audit at the Huttonsville Correctional Center. The Internal Auditor commenced the audit on September 2003 providing a finalized report on October 24, 2003. The documented report reflected \$180,194.07 of fraudulent activity. The former Commissary Supervisor, was indicted and convicted of embezzlement. The Division is in the process of evaluating proposals for the outsourcing of all commissaries. We anticipate an award for privatizing by mid-March 2005. (See pages 27-32.)

Inventory Control Over Inmate Exchange

3. Exchange purchases for resale totaled \$1,671,011.26 during our audit period. However, the Inmate Exchange computer system did not accurately track merchandise inventory and no periodic inventories were conducted with the purpose of determining the quantity of items that should have been held in stock. Therefore, management may not have been aware of shortages if items of inventory were lost or stolen. In addition, the cost of goods sold could not be accurately determined and no profit and loss statement could be correctly prepared.

Auditor's Recommendation

We recommend the MOCC comply with MOCC's Post Order 1B-28 and implement an effective system of internal controls over the MOCC Inmate Exchange's inventory.

Agency's Response

The current commissary supervisor, during the month of January 2004, only conducted a physical count of stock as items were purchased. She did however conduct a manual inventory at the end of the fiscal year. The Commissary will be closed January 3, 2005 for a complete physical inventory and a monthly physical inventory will be conducted thereafter until a private contractor begins operations. (See pages 32-34.)

Failure to Remit Exchange Sales Taxes

4. From May 1, 2003 through October 31, 2004, the MOCC collected \$1,120.38 in Exchange sales taxes. However, as of November 4, 2004, the MOCC had not remitted

the sales taxes or filed a sales tax return to the West Virginia Department of Tax and Revenue.

Auditor's Recommendation

We recommend Mount Olive Correctional Complex comply with Chapter 11, Article 15, Section 16 of the West Virginia Code and remit sales taxes in accordance with the Department of Tax and Revenue's regulations.

Agency's Response

State sales tax for the months covering May 1, 2003 through October 31, 2004 were collected, however the sales tax was never remitted to the West Virginia Tax Department. The current commissary supervisor stated she was unaware she was responsible for remitting payment. This was self-reported to auditors during this audit by Mt. Olive Correctional Complex Executive Staff. (See pages 34 and 35.)

TRUSTEE ACCOUNTS

Inadequate Control Over Trustee Accounting Records

5. The user identification listed on the MOCC's accounting ledger for the Inmate Trustee Bank Account indicated that the former MOCC Exchange supervisor accessed the trustee database and made several accounting entries. The duties of the Trustee Clerk and the Inmate Exchange Supervisor should be distinct and should not overlap.

Auditor's Recommendation

We recommend the Mount Olive Correctional Complex comply with Post Order 1B-01 and strengthen internal controls over the access of inmate trustee accounting records.

Agency's Response

The Deputy Warden gave the former Associate Warden of Administration a direct order during the year of 2000, not to give anyone other than the Trustee Clerk access to the trustee accounting program. The duties of the Trustee Clerk and those of the Exchange Supervisor are distinct and only those employees of the Trustee Office now have access to this account. (See pages 35-37.)

Inadequate Recording of Receipts in Trustee Accounting Records

6. We tested 50 deposits totaling \$1,638.48 consisting of inmate trustee monies received through the Intake Department, Visitation Department, and the MOCC Post Office. Even though the computerized trustee accounting system contained an entry field for receipt form numbers, these numbers were not recorded in the system when the receipts were entered. Therefore, we were only able to verify if the monies were properly posted by using the amount received and the approximate date the monies should have been entered in the accounting system. We were often unable to determine with an acceptable degree of assurance if particular receipts had been properly credited to the correct accounts.

Auditor's Recommendation

We recommend the Mount Olive Correctional Complex comply with the Institutional Operational Procedure 1.17 and enter receipt numbers in the trustee accounting system.

Agency's Response

The trustee accounting system contained an entry field for receipt form numbers; however, they were not recorded in the system when the receipts were entered. The former Trustee Clerk was instructed to enter the inmate receipt numbers. When

another Mt. Olive Correctional Complex staff member was temporarily assigned to the Trustee Clerk position, she started making the inmate receipt number entries and directed the current Trustee Clerk to perform the same actions. (See pages 37-39.)

Interest Earnings for Inmate Trustee Savings Account

7. During our audit period, the annual interest rate received on the trustee savings account held at City National Bank was only 0.2% and inmates received a total of \$603.40 in interest earnings for the period. Considering the fact the MOCC maintained an average balance of well over \$100,000 for each of the 24 months of our audit period for the account, we believe the MOCC should explore other options for investing trustee savings that would increase the interest earnings for inmates. Also, we noted eight months of interest earnings totaling \$165.02 that had not been credited by the Trustee Clerk to inmate accounts in the MOCC inmate trustee accounting system.

Auditor's Recommendation

We recommend the MOCC comply with West Virginia Division of Corrections Policy Directive Number 119.00, Section V, Subsection C, and the MOCC's Post Order 1B-01 Section 01.

Agency's Response

The bank account questioned by the auditor was set up in that manner originally by City National Bank. A member of the Executive Staff at Mt Olive Correctional Complex was advised by City National Bank that the commissary and Employee Associations Accounts were small business interest accounts. Approximately two years ago, the Associate Warden of Administration wanted to switch from City National to

United Bank to take advantage of better interest rates. However, the cost to Mt. Olive Correctional Complex would have been approximately \$40,000.00 for upgrades to the current Computer System to accommodate the new bank. (See pages 39-41.)

Late Deposits of Trustee Receipts

8. We tested 50 inmate trustee account receipts totaling \$2,178.48 received through the MOCC Inmate Intake, Inmate Visitation, and the MOCC Post Office. Twenty-one (21) of these receipts totaling \$832.88 were not deposited by next business day after receipt.

Auditor's Recommendation

We recommend the Mount Olive Correctional Complex comply with Institutional Operational Procedure 1.10, Section D-1.

Agency's Response

Currently, all deposits are made in compliance with Operational Procedure 1.10, Section D-1 "...within same day received if within regular banking hours or next day."

(See pages 41 and 42.)

ARTS AND CRAFTS ACCOUNT

Inadequate Accounting for Arts and Crafts Receipts

9. Deposits of currency and checks into the MOCC Arts and Crafts City National Bank account totaled \$46,794.78 and \$45,669.30 for fiscal years 2004 and 2003, respectively. However, Arts and Crafts employees failed to record the date moneys were received. As a result, we were unable to determine how long moneys were held before they were deposited. Currency deposits made into the Arts and Crafts bank account totaled \$6,857.31 and \$7,934.44 for fiscal years 2004 and 2003, respectively. But, we

were unable to verify if specific cash receipts were deposited in the local bank account since currency deposits were not itemized. Also, we noted discrepancies between trustee checks received and amounts owed by the trustee clerk as recorded in the Art and Crafts sales ledger.

Auditor's Recommendation

We recommend Mount Olive Correctional Complex comply with the West Virginia Division of Corrections' Policy Directive 1.19 and MOCC's Operational Procedure 1.10, Section V-D. We also recommend the MOCC record the date Arts and Crafts moneys are received and that all Arts and Crafts receipts be deposited daily.

Agency's Response

Will comply with daily deposits of Arts and Crafts fund. (See pages 42-45.)

Arts and Crafts Local Bank Account Disbursements

10. Although copies of itemized order forms for catalog purchases were kept by the Arts and Crafts Department and made available for our review, vendor invoices and vendor credit/debit memos were forwarded by the Arts and Crafts Department to the purchasing inmate without being copied. Therefore, we were unable to use vendor invoices in determining if correct amounts were paid the vendor and if items ordered were received by matching the itemized invoice to itemized receiving reports.

Auditor's Recommendation

We recommend Mount Olive Correctional Complex comply with the State of West Virginia Division of Corrections Policy Directive: 119.00, Section D and maintain copies

of vendor invoices and credit and debit memos for Arts and Crafts supply and catalog purchases.

Agency's Response

No response by the Agency. (See pages 45-47.)

Receiving Reports for Arts and Crafts Purchases

11. For our test of purchases made from the Arts and Crafts account, we were unable to verify the receipt of three lumber orders totaling \$54.46. Since adequate records were not maintained for receipt of lumber products, we had no means of verifying if the items were received as ordered by the MOCC Arts and Crafts Program.

Auditor's Recommendation

We recommend Mount Olive Correctional Complex comply with the Mount Olive Correctional Complex Post Order 1B - 12.

Agency's Response

Orders are received in either Post Office or Central Receiving depending on size. The Supervisor in these areas opens and checks for contraband, verifies the vendor's packing slip against order and notifies Arts and Crafts of package. Small boxes go to the Post Office and Supervisor checks against order. Supervisor then copies vendor packing slip, gives the inmate the original, and the Supervisor in Arts and Crafts keeps copies. The Arts & Crafts supervisor could not find the receipt for the three (3) lumber orders totaling \$54.46. (See pages 47 and 48.)

Food and Drink Purchases From the Arts and Crafts Account

12. During our test of the Arts and Crafts local bank disbursements, we noted the MOCC paid \$908.01 from the Arts and Crafts local bank account to pay for pizza and soft drinks for the inmates participating in the Arts and Crafts Program. We believe the monies deposited in the Arts and Crafts account are intended for program overhead costs.

Auditor's Recommendation

We recommend the MOCC comply with Operational Procedure 5.03A and use the mark-up for the overhead expenses of the program.

Agency's Response

This practice has ceased and the mark up will be used in accordance with operational procedure as recommended by the Auditor. (See pages 48 - 50.)

SECURITY TRAVEL PAROLE DISCHARGE ACCOUNT

Security Travel Expenses

13. During our test of security travel, we noted there were no controls in place to prevent officers from submitting reimbursement requests for expenses not incurred, since the Transportation Office was not required to review the forms and certify if meal reimbursements were for scheduled and completed inmate transport. Also, we tested 39 travel advance settlements where \$994.07 in unspent advance monies had been returned with expense settlement forms to the Business Office. For 38 settlements totaling \$912.22, the amount of time the Business Office held the returned cash before depositing the moneys in the local bank account ranged from 10 to 71 days with an average time elapse of approximately 32 days.

Auditor's Recommendation

We recommend the Mount Olive Correctional Complex comply with Section 1, subsection 2, article 5 the West Virginia Purchasing Division's Travel Rules and the MOCC Institutional Operational Procedure 1.10, Section V.

Agency's Response

As soon as Mt. Olive Correctional Complex Executive Staff became aware, the OIC of transportation was given a direct order to review and approve all meal expenses for inmate transports. The Business Office will not process the settlement without OIC signature of approved travel expense. (See pages 50-53.)

Repeating Check Control Numbers

14. We tested disbursements from Security Travel & Parole/ Discharge and found 111 instances of repeating check control numbers. Checks numbers 1493 through 1603 were issued sequentially from March 24, 2003 through September 2, 2003; however, beginning on September 4, 2003 and ending on March 2, 2004, these same 111 check control numbers were again used for checks written on the account. All checks should be reviewed upon receipt and returned to manufacturer if errors, such as repeating control numbers, are observed.

Auditor's Recommendation

We recommend the Mount Olive Correctional Complex comply with Institutional Operational Procedure 1.10, Section A-2.

Agency's Response

The bank issued checks to Mt. Olive Correctional Complex that was not properly numbered. All future orders when received will be reviewed to ensure no duplication has occurred prior to use. (See pages 53 and 54.)

INMATE BENEFIT FUND

Improper Disbursements Paid From Inmate Benefit Fund

15. During our test of the disbursements paid from the Inmate Benefit Fund (6381), we noted the MOCC used the fund for unauthorized purposes. On eight occasions the Inmate Benefit Fund (IBF) was used to pay membership and administrative fees totaling \$700.26 to West Virginia University - Mountain Doctor Television (MDTV) for telemedicine medical consult.

Auditor's Recommendation

We recommend Mount Olive Correctional Complex comply with Chapter 25, Article 1, Section 3b of the West Virginia Code, as amended, and not pay inmate medical costs from the Inmate Benefit Fund.

Agency's Response

As soon as the Mt. Olive Correctional Complex Business Office was advised they could not pay for MDTV out of the IBF, they discontinued and started paying the fee out of the general revenue fund. (See pages 54-56.)

Vending Commission Verification for IBF Account

16. Mountain Vending has contracted with the West Virginia Division of Corrections to provide chips, soft drinks, crackers, and cookies in vending machines located in the

MOCC Visitation Department. Although the agreement with the vendor requires that payments be made monthly, we noted only four commission checks totaling \$1,420.09 were received in fiscal year 2004 and nine checks totaling \$1,667.08 were received during fiscal year 2003. Also, we were told the MOCC has no means of verifying if the commissions paid are all the commissions to which it is entitled.

Auditor's Recommendation

We recommend the MOCC comply with Policy Directive 111.02, Section V-A.

Agency's Response

Mountain Vending has told Mt. Olive Correctional Complex they will honor their agreement and start sending the checks on a monthly basis along with itemized sales reports by machines and commission. Although Mountain Vending Company representative is not escorted to the vending machines located in the Administrative Wing, he/she is escorted and observed when removing cash from all other on-site vending machines. The vendor cannot gain access to the remaining machines without an employee escort, due to the location of the machines. (See pages 56-58.)

Failure to Reconcile Inmate Benefit Fund Account

17. Our reconciliation of the IBF ledger to WVFIMS revealed that three receipts totaling \$696.90 recorded in the ledger were erroneously deposited in the MOCC General Revenue Fund. Furthermore, a deposit for \$174.00 (WVFIMS# D892585) made on December 18, 2002 into the IBF account was not recorded in the IBF ledger.

Auditor's Recommendation

We recommend the MOCC comply with Operational Procedure 1.10, Section V, Subsection D-2 and that the MOCC reconcile the IBF ledger to WVFIMS at the conclusion of every month.

Agency's Response

A mistake was made by the former Business Manager when he deposited \$696.90 into the MOCC general revenue fund instead of the IB Fund. (See pages 58 and 59.)

Failure to Obtain Bid Documentation

18. The Mount Olive Correctional Complex was unable to provide the required bid documentation for two disbursements exceeding \$1,000 each and totaling \$2,275.38. Both of these disbursements were made from the Inmate Benefit Fund (6381). Bids should had been obtained to ensure the lowest cost to the Inmate Benefit Fund.

Auditor's Recommendation

We recommend the MOCC comply with Section 3.2 of the West Virginia Purchasing Division Policies and Procedures Handbook and obtain bids, when possible for purchases in excess of \$1,000.00.

Agency's Response

MOCC did not get bids for Post Secondary Education Textbooks totaling \$1,071.58, since the business manager thought GATE/ABDI was a sole source. Additionally, no bid was received from music equipment repairs totaling \$1,203.80, since Gorby's Music can not estimate repair expenses until they look at the piece of equipment.

(See pages 60 and 61.)

EMPLOYEE ASSOCIATION ACCOUNT:

Vending Receipts

19. During our audit period, the MOCC received \$4,184.65 in vending machine commissions from Mountain Vending Company that were deposited into the Employee Association Account. However, we could not find any authority permitting MOCC employees to receive profits from vending machines located within the confines of the correctional complex.

Auditor's Recommendation

We recommend the MOCC comply with Chapter 6B, Article 2, Section 5 of the West Virginia Code, and Chapter 12, Article 2, Section 2, of the West Virginia Code, as amended.

Agency's Response

As of December 2004 and the result of the Huttonsville Correctional Center's audit, Commissioner Rubenstein has directed all commission from vending machines in Administrative areas be deposited into the State's General Revenue Fund in accordance with audit recommendation. (See pages 61 and 62.)

MANAGEMENT OVERSIGHT

Failure to Reconcile Local Bank Accounts

20. During our audit period the MOCC Business Office failed to adequately reconcile the City National Bank statements for the trustee drawing and savings accounts to agency accounting records. After a MOCC Business Office employee made adjustments for some reconciling items, the differences remaining between MOCC book and bank

balances for these accounts were substantial and generally fluctuated with each subsequent month. Also, during the last three months of our audit period, the MOCC failed to completely reconcile the MOCC Exchange local bank account.

Auditor's Recommendation

We recommend the MOCC comply with the State of West Virginia Division of Corrections Policy Directive 119.00, Section 1 and the MOCC Operational Procedure 1.10 Section g. We further recommend the MOCC deliver unclaimed properties to the West Virginia Treasurer's Office - Unclaimed Property Division in accordance with Chapter 36, Article 8, Sections 7 and 8 of the West Virginia Code.

Agency's Response

An application is in progress to gain authorization from the Treasurer's Office to open an additional outside bank Trustee Account. This will permit Mt. Olive Correctional Complex to transfer all monies of inmates currently at Mt. Olive Correctional Complex to that account, leaving the excess monies in the old trustee account until it can be appropriately transferred to the proper agency. This is our best resolution effort to open an account with documented balances of current inmates that will be reconciled per bank statement. The Exchange Account has been completely reconciled to date.

(See pages 62-67.)

MOUNT OLIVE CORRECTIONAL COMPLEX

GENERAL REMARKS

INTRODUCTION

We have completed a post audit of the Mount Olive Correctional Complex's (MOCC) Inmate Trustee Drawing local account, Inmate Trustee Savings local account, Inmate Exchange (Commissary) local account, Travel Discharge local account, Arts and Crafts local account, Employee Association local account and Inmate Benefit Fund - Unclassified 6381-099. The examination covers the period July 1, 2002 through June 30, 2004 .

SPECIAL REVENUE ACCOUNT

During our audit period the MOCC operated the Inmate Benefit Fund special revenue account. This account pays for services or commodities that are beneficial to either a majority of the population or specific group of inmates and is not to be used for essential mandated services or commodities which must be furnished from State appropriation. Revenues were primarily derived from telephone commissions and commissions received from vending machine sales:

<u>Account Number</u>	<u>Description</u>
6381-099	Inmate Benefit 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 accounts are all held at City National Bank in Montgomery, West Virginia and 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:

<u>Account Number</u>	<u>Description</u>
9000602183.....	Trustee Drawing Account
9000602191.....	Trustee Savings Account

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:

<u>Account Number</u>	<u>Description</u>
9000602175.....	Commissary/Exchange Account

Arts and Crafts Account

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

<u>Account Number</u>	<u>Description</u>
9000815306.....	Arts and Crafts Account

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:

<u>Account Number</u>	<u>Description</u>
9000602167.....	Travel/Discharge Account

COMPLIANCE MATTERS

Chapter 28, Article 5 of the West Virginia Code generally governs the 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 post audit, it became apparent to us, based on the observed noncompliance with the West Virginia Code and other rules and regulations, the MOCC did not have an effective system of internal controls in place to ensure compliance with applicable State laws, rules and regulations. Our previous audit pointed out internal control weaknesses in general and in the Inmate Exchange (Commissary) specifically, but our audit revealed many internal control weaknesses were not addressed even after documented fraud occurred in the Inmate Exchange.

Chapter 5A, Article 8, Section 9(b) 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 the MOCC, we found the following violations of State laws or other rules and regulations: **(1)** Our examination of the accounting and bank records of the MOCC Commissary (Inmate Exchange) revealed that \$180,194.07 in Commissary moneys were converted to personal use, including 74 Commissary checks totaling \$165,754.033 that were diverted to the personal accounts of a former Commissary supervisor and cash receipts totaling \$13,427.28 that were not deposited in the Commissary bank account. We noted several weaknesses in the controls over the account that permitted the embezzlement to occur. **(2)** The Inmate Exchange computer system did not accurately track merchandise inventory and no periodic inventories were conducted with the purpose of determining the quantity of items that should have been held in stock. **(3)** From May 1, 2003 through October 31, 2004, the MOCC Exchange collected \$1,120.38 in sales taxes. However, as of November 4, 2004, the MOCC had not remitted the sales taxes or filed a sales tax return to the West Virginia Department of Tax and Revenue. **(4)** The user identification listed on the MOCC's accounting ledger for the Inmate Trustee Bank Account indicated the former MOCC Exchange supervisor, who has plead guilty to one count of embezzlement for stealing monies from the Inmate Exchange, accessed the trustee database and made several accounting entries. **(5)** We tested 50 deposits totaling \$1,638.48 consisting of inmate trustee monies received through the Intake Department, Visitation Department, and the MOCC Post Office. Even though the computerized trustee accounting system contained an entry field for receipt form numbers, these numbers were not recorded in the system when the receipts were entered. **(6)** The annual interest rate on the Trustee Savings account was only 0.2%. Considering that MOCC maintained a balance over \$100,000 for each of the 24 months of our audit period for the account, we believe the MOCC should

explore other options for investing Trustee Savings. Also, we noted eight months of interest earnings totaling \$165.02 that had not been credited by the Trustee Clerk to inmate accounts in the MOCC inmate trustee accounting system. (7) Twenty-one receipts totaling \$832.88 received through Inmate Intake, Inmate visitation and the MOCC Post Office were not deposited by next business day after receipt. (8) Deposits of currency and checks into the MOCC Arts and Crafts City National Bank account totaled \$46,794.78 and \$45,669.30 for fiscal years 2004 and 2003, respectively. However, Arts and Crafts employees failed to record the date moneys were received and, consequently, we were unable to determine how long moneys were held before they were deposited. (9) The Arts and Crafts store did not retain vendor invoices and vendor credit/debit memos for purchased items. (10) During our test of purchases made from the Arts and Crafts account, we were unable to verify the receipt of three lumber orders totaling \$54.46. (11) The MOCC improperly used \$908.01 from “overhead” moneys deposited in the Arts and Crafts local bank account to pay for pizza and soft drinks for the inmates participating in the Arts and Crafts Program. (12) The MOCC paid \$20,987.27 in meal expenses for inmate transports conducted during fiscal years 2004 and 2003; however, there were no internal controls in place to match travel reimbursements to actual trips made by the transportation officers. (13) We tested disbursements from Security Travel & Parole/Discharge account and found 111 instances where the MOCC issued checks with check control numbers that had previously been used. (14) We noted the MOCC improperly used the Inmate Benefit Fund to pay eight invoices totaling \$700.26 for medical related costs. (15) Mountain Vending Company has not paid vending commissions on a monthly basis as required by the vending agreement with MOCC. Also, we were told no employee for the MOCC Business Office accompanies the vendor when monies are

removed from the vending machines and, consequently, the MOCC has no means of verifying if the commissions paid are all the commissions to which it is entitled. (16) Our reconciliation of the Inmate Benefit Fund account ledger to WVFIMS revealed that three receipts totaling \$696.90 recorded in the ledger were erroneously deposited in the MOCC General Revenue Fund (0450-888). (17) The MOCC was unable to provide the required bid documentation for two disbursements exceeding \$1,000 each and totaling \$2,275.38. (18) During our audit period, the MOCC received \$4,184.65 in vending machine commissions from Mountain Vending Company that were deposited into the Employee Association Account; however, we could not find any authority permitting MOCC employees to receive profits from vending machines located within the confines of the correctional complex. (19) During our audit period, the MOCC Business Office failed to adequately reconcile the City National Bank statements for the trustee drawing and savings accounts to agency accounting records.

We recommend the MOCC comply with Chapter 5A, Article 8, Section 9 of the West Virginia Code, as amended, and establish an effective system of internal controls that will serve to alert management to areas of noncompliance with the West Virginia Code and other applicable rules and regulations.

Agency's Response

We agree with a lack of an effective system of internal controls, however, we were addressing some of the weaknesses and all of the recommendations by our Internal Auditor after audit of the Inmate Exchange was completed. See attached copy of memorandum, from Warden McBride to Commissioner Rubenstein dated December 6, 2004. The Division is addressing this issue Division-wide through a strategic plan of review of

current policies, operating procedures, job functions, segregation of duties, oversight management and random sampling audits on a cyclical basis.

INMATE EXCHANGE ACCOUNT

Fraud in Inmate Exchange Account

Our examination of the accounting and bank records of the MOCC Inmate Exchange (Commissary) confirmed a report prepared by the Division of Corrections Internal Auditor showing that \$180,194.07 in Exchange moneys were converted to personal use as follows:

<u>Description</u>	<u>Dollars</u>
Checks Fraudulently Diverted to the Exchange Supervisor's Personal Accounts	\$165,754.03
Cash Receipts Recorded in Exchange Deposit Ledger not Deposited in Bank Account	13,427.28
Cash Not Deposited Based on the Exchange Sales Ledger	665.20
Sales per Computerized Accounting System over Sales Recorded in Sales Ledger	<u>347.56</u>
TOTAL	<u>\$180,194.07</u>

Most of the compromised monies were checks diverted to the former Exchange supervisor's personal accounts, as detailed in the following table:

<u>Payee</u>	<u>Number of Checks Issued</u>	<u>Total</u>
Chase Manhattan Bank	29	\$94,095.66
Direct (DMB)	25	42,934.25
Sears	9	15,045.86

<u>Payee</u>	<u>Number of Checks Issued</u>	<u>Total</u>
Lowe's	7	5,923.72
Huntington National Bank (HNB)	2	5,440.00
Neyt Playstation Supplies	1	1,500.00
Fayette County National Bank (FCNB)	<u>1</u>	<u>814.54</u>
Total	<u>74</u>	<u>\$165,754.03</u>

Of the above amounts, 18 checks totaling \$52,077.46, 54 checks totaling \$112,275.57, and two checks totaling \$1,401.00 were cashed during Fiscal Years 2004, 2003, and 2002, respectively. In all instances, checks were written to vendors that were not regular Exchange suppliers, and in many cases the payees listed in the Exchange check register were not the ones recorded on the checks. According to an internal audit report prepared by a member of the Division of Corrections Central Office staff, all the checks written to Chase, Direct, Lowe's and Sears referenced personal account numbers issued by the payees to the former Exchange Supervisor.

Also, a reconciliation of the Exchange deposit ledgers to the local bank deposit slips revealed the ledgers had been manipulated to conceal the apparent theft of \$13,427.15 in Exchange cash receipts. This amount included cash receipts totaling \$9,722.39 for fiscal year 2003 sales and \$3,704.76 for fiscal year 2002 sales. Although the total amount deposited in the bank equaled the total deposit amount recorded in the ledger, virtually none of the cash recorded in the deposit ledger during this period was deposited in the bank. In an obvious attempt to camouflage the theft of the cash receipts, check deposits were recorded in the deposit ledger at an amount less than the actual checks deposited with the difference equaling the amount of cash receipts withheld from each deposit.

Finally, according to the MOCC sales ledger, additional cash receipts totaling \$665.20 were never recorded in the deposit ledger nor deposited in the local bank account and, for the period of July 2000 through September 2003, sales per the computerized sales ledger based on the scanning of merchandise at the point of sale, exceeded the sales per the handwritten sales ledger by \$347.56. We believe the former Exchange Supervisor was able to convert funds to personal use as the result of significant weakness that existed in the internal controls over the MOCC Exchange operations. Also, internal control weaknesses impeded the ability of the MOCC management to detect the misappropriation once it began. Our review of the internal controls over Exchange operations revealed the following:

- Although, some carbon copies of fraudulent checks could not be located and had been apparently discarded, eleven copies were available for our review. Except for the blank payee portion, all of the carbon copies were fully complete, including either the Associate Warden of Administration's or the Associate Warden of Operations' signature, and the Warden's authorizing signature stamp. This indicates checks were authorized prior to the payee portion being completed and, therefore, signifies a significant failure of internal controls in the check writing procedure.
- Exchange checks to vendors were handwritten by the Exchange supervisor during our audit period. Checks should either be printed by the Exchange computerized accounting system with edits preventing payments to non-approved vendors; or type written checks should be prepared by someone other than Exchange employees and the employee who reconciles the account.
- After checks were authorized, the checks were returned to the Exchange supervisor for mailing. Once checks are submitted for signature authorization, they should never be returned to the custody of the Exchange supervisor. Checks should be mailed directly to vendors by the MOCC Business Office once supporting documents have been reviewed and authorizing signatures have been obtained.
- Copies of cleared checks are returned by the bank with the monthly statement. While reconciling the account, if a comparison of payees on the copied checks had been made to the payees on the check register and an approved Exchange vendor list, the altered check fraud would have been discovered.

- Copies of deposit tickets are also returned by the bank with the monthly bank statement. If during the reconciliation process, actual cash deposits recorded on the deposit tickets had been compared to the cash deposits recorded on the Exchange deposit ledger, the ledger manipulation and the apparent theft of the Exchange cash receipts would have been uncovered.
- According to documents we reviewed, Exchange deposits were made approximately once every ten days. Failure to deposit receipts timely and intact increases the chance of monies being lost or stolen. Also, we were told that generally the Trustee Clerk and sometimes the Exchange Supervisor took deposits to the bank during our audit period. Deposits should be prepared and made daily by the Business Manager or designated Business Office personnel in accordance with MOCC's Operational Procedure 1.10.
- The Exchange computerized accounting system tracks sales when products are scanned at the point of sale. Since it would be more difficult to manipulate these records as opposed to hand written ledgers, computerized monthly sales reports should be used in reconciling the deposits per bank to the deposits per book by the employee responsible for reconciling the bank account.
- The MOCC Management had indications of cash flow problems in the Exchange. Several memoranda were prepared by the former Exchange supervisor for the former AWA that addressed the Exchange's cash flow problems. In these memoranda, the Exchange supervisor attributed these problems to paying contract workers from the Exchange account. Also, Exchange profits are required by statute to be transferred to the Inmate Benefit Fund (IBF). For the one year period of August 1, 2000 through August 1, 2001, seven transfers totaling \$1,629.50 were made to the IBF. One more transfer of \$268.98 was made on March 8, 2002. However, as of November 1, 2004, no additional transfers were made. We believe these factors were strong indicators of serious cash flow problems that should have precipitated a closer review of the Exchanges financial records by the MOCC management.

Many of the internal control weaknesses over the Exchange operations noted in this audit were addressed in our previous audit of the MOCC, which covered the period of July 1, 1996 through June 30, 1998. On page 42 of that report, we recommended the MOCC "implement an effective system of internal controls over inventory and accounting for sales and purchases and that the staff be trained to utilize the automated (accounting) system available to

them.” However, based on our current findings, it is apparent the MOCC failed to comply with all of our recommendations.

Also, several of these weaknesses noted in the internal controls over the Exchange operations are specifically addressed in the MOCC Operational Procedures and Post Orders that were effective when the fraudulent activities occurred. The MOCC’s Operational Procedure 1.10, Section V, Subsection A states in part:

“....2. **The Business Manager is designated as having the responsibility for ensuring that the correct and proper standards are in place and maintained for the control and/or utilization of the following fiscal areas** and will work in conjunction with the Warden, AWA, MOCC Trustee Clerk, and MOCC Financial Staff in fulfilling these responsibilities.

a. **Internal Controls . . .” (Emphasis added)**

Section V, Subsection D, of the same operation procedure states in part:

“1. Cash Management

a **Cash or checks received by the various programs within the facility with their own checking accounts will be deposited to that particular account on the day received,** if within regular banking hours. Monies that cannot be deposited the same day will be secured in the Business Office’s financial safe until a deposit can be made the next day . . .

c. **The Business Manager or designated Business Office personnel will make daily deposits of all monies received** to the appropriate accounts at an officially designated banking facility.

d. Authorized and Special Checking Accounts: . . .

8) Only those staff, authorized in writing by the Warden will be permitted to prepare checks.

a) **The preparing employee will enter all appropriate information, except authorized signatures, to include ensuring the check stub is completed in detail prior to being submitted for signature. . . .**

- 9) Only the Warden, Deputy Warden and designated staff authorized by the Warden will be permitted to sign checks. **Before checks are signed they will be reviewed**, along with all supporting documentation, to verify appropriateness of the transaction. Any clerical errors will be immediately corrected and any violations of policy or state code will be reported in writing, to the Warden. . . . **(Emphasis added)**

The MOCC received an insurance check in the amount of \$179,194.07 from the Board of Risk and Insurance Management dated October 20, 2004, which was the full amount of the loss less a \$1,000.00 deductible.

We recommend the MOCC comply with Operational Procedure 1.10 and strengthen internal controls over the MOCC Exchange's cash receipts, sales and purchases.

Agency's Response

The agency's Internal Auditor was assigned to the Mt. Olive Correctional Complex to perform a complete audit due to the results of the audit at the Huttonsville Correctional Center. He requested records for the Commissary and the Commissary Supervisor, Angela Carpenter, was evasive indicating it would take some time to pull all records. The Auditor at that point requested from the Warden and the Associate Warden of Operations for their assistance in directing her to provide the records. She did not provide the records and immediately abandoned her position. The Internal Auditor was away for one week attending the Auditor's Conference and the Assistant Warden of Operations was contacted by a vendor due to numerous, large, outstanding invoices. The Assistant Warden of Operations became suspicious after review of some records and when the Internal Auditor

returned to commence the audit, it was clearly evident that embezzlement had occurred. The Internal Auditor commenced the audit on September 2003 providing a finalized report on October 24, 2003. The documented report reflected \$180,194.07 of fraudulent activity. Angela Carpenter, the former Commissary Supervisor, was indicted and convicted of embezzlement. The Mt. Olive Correctional Complex received check #1-3741023 dated October 20, 2004 in the amount of \$179,194.07 from the Board of Risk and Insurance Management for reimbursement of loss less deductible. The Division is in the process of evaluating proposals for the outsourcing of all commissaries. We anticipate an award for privatizing by mid-March 2005.

Inventory Control Over Inmate Exchange

Exchange purchases for resale totaled \$1,671,011.26 during our audit period. However, the Inmate Exchange computer system did not accurately track merchandise inventory and no periodic inventories were conducted with the purpose of determining the quantity of items that should have been held in stock. Therefore, management may not have been aware of shortages if items of inventory were lost or stolen. In addition, the cost of goods sold could not be accurately determined and no profit and loss statement could be correctly prepared.

Our previous MOCC audit for the period of July 1, 1996 through June 30, 1998 also noted that computerized inventory reports were inaccurate and the balance sheet and income statements were incorrect. However, problems with the computer system were never corrected.

The MOCC Post Order 1B-28, which describes the Inmate Exchange's operating procedures, states in part:

“04. **Inventory and Storing of Stock:**

a. Inventories: Inventory is taken quarterly and upon special requests or circumstances. The Exchange will be closed all day during inventories.

- All stock is counted and put on an inventory sheet.
- Keep accurate records of Exchange inventory in the computer file.
- Conduct random inventory checks of all Exchange supplies. . . .”

The acting Exchange Supervisor told us that weekly counts of merchandise are conducted only for the purpose of determining if particular items need to be re-ordered. These counts are not compared with sales, purchases and previous counts to determine if shortages exists. The nature of items stocked in the Exchange makes them subject to theft and strong internal control procedures are needed to protect them. Therefore, management should implement a computerized perpetual inventory system and conduct regular periodic inventories. By comparing inventory records, management will be made aware of any shortages or errors and can take corrective action.

We recommend the MOCC comply with MOCC’s Post Order 1B-28 and implement an effective system of internal controls over the MOCC Inmate Exchange’s inventory.

Agency’s Response

The former commissary supervisor did manually conduct a monthly inventory of store merchandise, due to the computer system not reporting an accurate inventory. However, the current commissary supervisor, who replaced Ms. Carpenter during the month of January 2004, only conducted a physical count of stock as items were purchased. She did however conduct a manual inventory at the end of the fiscal year. The Commissary will be

closed January 3, 2005 for a complete physical inventory and a monthly physical inventory will be conducted thereafter until a private contractor begins operations.

Failure to Remit Exchange Sales Taxes

From May 1, 2003 through October 31, 2004, the MOCC collected \$1,120.38 in Exchange sales taxes. However, as of November 4, 2004, the MOCC had not remitted the sales taxes or filed a sales tax return to the West Virginia Department of Tax and Revenue.

Chapter 11, Article 15, Section 16 of the West Virginia Code concerning the remittance of sales taxes states in part;

“Subject to the exceptions set forth in subsection (b) of this section, the taxes levied by this article shall be due and payable in monthly installments, on or before the fifteenth day of the month next succeeding the month in which the tax accrued. **The taxpayer shall, on or before the fifteenth day of each month, make out and mail to the tax commissioner a return for the preceding month**, in the form prescribed by the tax commissioner, showing: (a) The total gross proceeds of his business for that month; (b) the gross proceeds of his business upon which the tax is based; (c) the amount of the tax for which he is liable; and (d) any further information necessary in the computation and collection of the tax which the tax commissioner may require. **A remittance for the amount of the tax shall accompany the return.” (Emphasis added)**

Subsection (b) of the section quoted above relates to accelerated payments for taxpayers whose average monthly installments for the previous calendar year exceeds one hundred thousand dollars, which is not applicable to MOCC.

By failing to remit sales taxes when due, the MOCC may be subject to penalties or interest. When we asked why the taxes had not been remitted to the Tax Department, the acting Exchange supervisor stated that she received very little training when she assumed the

Exchange supervisor position and she was unaware sales tax collections needed to periodically be remitted to the Tax Department.

We recommend Mount Olive Correctional Complex comply with Chapter 11, Article 15, Section 16 of the West Virginia Code and remit sales taxes the Department of Tax and Revenue in accordance with the Department's regulations.

Agency's Response

During the first week of November 2004, Mt. Olive Correctional Complex staff revealed that state sales tax for the months covering May 1, 2003 through October 31, 2004 were collected, however the sales tax was never remitted to the West Virginia Tax Department. As soon as staff became aware of the oversight made by the current commissary supervisor, the tax department was contacted and all monies owed were remitted for payment. The current commissary supervisor stated she was unaware she was responsible for remitting payment. This was self-reported to auditors during this audit by Mt. Olive Correctional Complex Executive Staff.

TRUSTEE ACCOUNTS

Inadequate Control Over Trustee Accounting Records

The user identification listed on the MOCC's accounting ledger for the Inmate Trustee Bank Account indicated that the former MOCC Exchange supervisor accessed the trustee database and made several accounting entries. All of these entries were made between January 1, 2003 through May 31, 2003 and included: (1) transfers from inmate mandatory and voluntary savings to the abandoned funds account totaling \$25.72; (2) draws from inmate

accounts to pay McDonald's Restaurant \$180.29, and; (3) the reestablishment of an inmate account under the name of Michael Neal Pauley.

According to the ledger entry, the Exchange supervisor "re-opened" the account for Michael Neal Pauley on May 15, 2003; however, the MOCC Supervisor of Records told us the MOCC has never housed an inmate by that name. We requested the subsidiary ledger for this account and determined the account never contained a balance or any activity. Nevertheless, considering the former Exchange supervisor has plead guilty to one count of embezzlement for stealing monies from the Exchange, and the nature of the accounting entries made by her in the trustee database, one could reasonably conclude she intended to misappropriate those abandoned funds currently held in the trustee bank accounts.

The MOCC's Operational Procedure 1.10, Section V, Subsection A states in part:

“ . . . 2.The Business Manager is designated as having the responsibility for ensuring that the correct and proper standards are in place and maintained for the control and/or utilization of the following fiscal areas and will work in conjunction with the Warden, AWA, MOCC Trustee Clerk, and MOCC Financial Staff in fulfilling these responsibilities.

a. **Internal Controls . . .” (Emphasis added)**

The MOCC Information Services and Communications (IS&C) Administrator stated the previous Associate Warden of Administration had verbally requested that he alter the security controls over trustee database accounting system so the Exchange supervisor could access the database. He added that it was his understanding that the Exchange supervisor was to assist the trustee clerk by performing some trustee accounting entries.

The duties of trustee clerk and those of the inmate exchange supervisor should be distinct and non-overlapping. It is of primary importance in establishing an effective internal

control structure that the responsibility for the trustee accounting database be entrusted to only those employees of the Trustee Office. Failure to do so will increase the probability that trustee funds may be misappropriated or transactions improperly recorded.

We recommend the Mount Olive Correctional Complex comply with Post Order 1B-01 and strengthen internal controls over the access of inmate trustee accounting records.

Agency's Response

The Deputy Warden gave the former Associate Warden of Administration a direct order during the year of 2000, not to give anyone other than the Trustee Clerk access to the trustee accounting program. The former Associate Warden of Administration did not follow orders given to her and gave the former commissary supervisor (Carpenter) access to this account. Although the former supervisor set up a fraudulent inmate account, no activity was reported from that account. There were two additional entries made through the Trustee Accounting Program by Ms. Carpenter. Both of these entries were legal transactions. One was to McDonalds and the other was a transfer of inmate funds from mandatory savings to his spending account. The duties of the Trustee Clerk and those of the Exchange Supervisor are distinct and only those employees of the Trustee Office now have access to this account.

Inadequate Recording of Receipts in Trustee Accounting Records

We tested 50 deposits totaling \$1,638.48 consisting of inmate trustee monies received through the Intake Department, Visitation Department, and the MOCC Post Office. Even though the computerized trustee accounting system contained an entry field for receipt form numbers, these numbers were not recorded in the system when the receipts were entered. Therefore, we were only able to verify if the monies were properly posted by using the amount

received and the approximate date the monies should have been entered in the accounting system. Since similar amounts were frequently received and posted to the same inmate account, we were often unable to determine with an acceptable degree of assurance if particular receipts had been properly credited to the correct accounts.

Section V-A of the Mount Olive Correctional Complex's Operational Procedure 1.17 states in part:

“ . . . All inmate fund transactions will be recorded in a fashion so as to **enable total reconstruction of the handling of each inmate's account** at all times . . .” (Emphasis added)

The current acting Trustee Clerk stated that the two former Trustee Clerks, who worked during our audit period, did not record receipt numbers when posting receipts to inmate accounts. She further added that she is currently entering receipt numbers in the accounting system so trustee receipt accounting entries can be verified by use of receipt form numbers.

We recommend the Mount Olive Correctional Complex comply with the Institutional Operational Procedure 1.17 and enter receipt numbers in the trustee accounting system.

Agency's Response

Fifty (50) deposits from the Inmate Trustee monies received through the Intake, Visitation and Post Office Departments were tested by the auditors. The trustee accounting system contained an entry field for receipt form numbers; however, they were not recorded in the system when the receipts were entered. Rita Dunlap, former Trustee Clerk was instructed to enter the inmate receipt numbers. For some unknown reason she stopped making the entries and trained the Trustee Clerk assigned to fill her position not to enter the receipt

numbers as well. When another Mt. Olive Correctional Complex staff member was temporarily assigned to the Trustee Clerk position, she started making the inmate receipt number entries and directed the current Trustee Clerk to perform the same actions.

Interest Earnings for Inmate Trustee Savings Account

During our audit period, the annual interest rate received on the trustee savings account held at City National Bank was only 0.2% and inmates received a total of \$603.40 in interest earnings for the period. After we asked management about the low interest earnings on the account, the MOCC Executive Assistant contacted the bank and was told the trustee savings account was classified as an Interest Checking Account and the interest rate received was consistent with that classification. Considering the fact the MOCC maintained an average balance of well over \$100,000 for each of the 24 months of our audit period for the account, we believe the MOCC should explore other options for investing trustee savings that would increase the interest earnings for inmates.

The State of West Virginia Division of Corrections Policy Directive Number 119.00, Section V, Subsection C, states:

“Programs and accounts that shall undergo ongoing monitoring shall include, but not be limited to, the following: Group checks - AA - Exchange/Commissary/Canteen - Deceased - Donations - Chapel - **Interest Received** - Inmate Benefit Fund - State Tax - Auxiliary Recreation - Staff Barber Shop - etc.”(**Emphasis Added**)

Also, we noted eight months of interest earnings totaling \$165.02 that had not been credited by the Trustee Clerk to inmate accounts in the MOCC inmate trustee accounting system. The eight month period began on October 1, 2003 and concluding May 31, 2004.

Mount Olive Correctional Complex's Post Order 1B-01, which describes the general duties of the Trustee Clerk, states in part:

"01 General Responsibilities: . . .

j. Calculate and **post interest on individual inmate savings accounts**. All inmate savings will be placed in an interest bearing account with a local financial institution. The Trustee Clerk will post interest due on each inmate's account as provided by the financial institution holding the accounts. . . ." (**Emphasis added**)

The Business Office employee who performed the trustee savings bank reconciliations during our audit period, noted on the January 2004 savings reconciliation and each subsequent month through May 2004, that interest earned had not been posted. According to the current acting trustee clerk, the former trustee clerk, who worked during the period interest earnings were not posted to inmate accounts, did not receive adequate training prior to assuming her duties as trustee clerk. The current trustee clerk has performed correcting entries on some accounts; however, as of August 31, 2004, some inmate accounts still have not been posted with the interest earned during the aforementioned eight-month period.

We recommend the MOCC comply with West Virginia Division of Corrections Policy Directive Number 119.00, Section V, Subsection C, and the MOCC's Post Order 1B-01 Section 01.

Agency's Response

The bank account questioned by the auditor was set up in that manner originally by City National Bank. A member of the Executive Staff at Mt Olive Correctional Complex was advised by City National Bank that the commissary and Employee Associations Accounts were small business interest accounts. However, the warden's accounts were interest

checking accounts. Mt. Olive Correctional Complex will explore why the bank set up this account utilizing interest checking. Approximately two years ago, the Associate Warden of Administration wanted to switch from City National to United Bank to take advantage of better interest rates. However, the cost to Mt. Olive Correctional Complex would have been approximately \$40,000.00 for upgrades to the current Computer System to accommodate the new bank. Mt. Olive Correctional Complex Computer Administrator has advised Executive Staff that the cost for those upgrades have dramatically increased since the last quote of \$40,000.00 has been given.

The eight (8) months of interest totaling \$165.02 that was not credited, by the former Trustee Clerk to inmate accounts, was more than likely an unintentional operator error.

Late Deposits of Trustee Receipts

We tested 50 inmate trustee account receipts totaling \$2,178.48 received through the MOCC Inmate Intake, Inmate Visitation, and the MOCC Post Office. Twenty-one of these receipts totaling \$832.88 were not deposited by next business day after receipt. Of this amount, seven receipts totaling \$395.29 were deposited three business days after receipt and 14 receipts totaling \$437.59 were deposited two business days after receipt.

The Mount Olive Correctional Complex Operational Procedure 1.10, Section D-1, states in part:

“a. Cash or checks received by the various programs within the facility with their own checking accounts will be deposited to that particular account on the day received, if within regular banking hours. Monies that cannot be deposited the same day will be secured in the Business Office’s Financial safe until a deposit can be made the next day. . . .” (Emphasis added)

Until inmate receipts are deposited, the inmates are denied the use of the monies. Also, the likelihood that receipts will be lost or stolen increases with the length of time receipts are held before they are deposited in the bank.

The current acting trustee clerk said the former trustee clerk may not have made bank deposits every business day. She also stated that the remitting department may sometimes hold receipts until the next business day.

We recommend the Mount Olive Correctional Complex comply with Institutional Operational Procedure 1.10, Section D-1.

Agency's Response

Currently, all deposits are made in compliance with Operational Procedure 1.10, Section D-1 "...within same day received if within regular banking hours or next day."

ARTS AND CRAFTS ACCOUNT

Inadequate Accounting for Arts and Crafts Receipts

Deposits of currency and checks into the MOCC Arts and Crafts City National Bank account totaled \$46,794.78 and \$45,669.30 for fiscal years 2004 and 2003, respectively. However, Arts and Crafts employees failed to record the date moneys were received. As a result, we were unable to determine how long moneys were held before they were deposited.

The State of West Virginia Division of Corrections Policy Directive 119.00, which provides guidance for monitoring fiscal activities for correctional institutions, states in part:

“. . . D. Record keeping for each program shall be maintained through a ledger/computer system which, at a minimum, will document:

1. Receipts - a record of all cash, checks, voucher transfers, and accounts receivable. . . .” (Emphasis added)

Currency deposits made into the Arts and Crafts bank account totaled \$6,857.31 and \$7,934.44 for fiscal years 2004 and 2003, respectively. But, we were unable to verify if specific cash receipts were deposited in the local bank account since currency deposits were not itemized. Determining if and when currency receipts were deposited were further complicated by the infrequency of deposits. According to the MOCC Arts and Crafts Accounting Technician, deposits were made approximately once every two weeks and not all currency receipts received after a particular bank deposit were included in the subsequent bank deposit. This was done so the store would have cash on hand to make change. The Technician also said cash amounts withheld from each deposit sometimes varied and were never recorded. We believe the failure to deposit receipts timely and intact increases the chance of cash being lost or stolen.

Mount Olive Correctional Complex Operational Procedure 1.10, Section V-D states in part:

“ . . . 1. Cash Management:

a. **Cash or checks received by the various programs within the facility with their own checking accounts will be deposited to that particular account on the day received, if within regular banking hours. Monies that cannot be deposited the same day will be secured in the Business Office’s financial safe until a deposit can be made the next day. . . .**

d. Authorized and Special Checking Accounts: . . .

2) Programs and accounts in this category include the following: Exchange; **Arts and Crafts**; Security Travel; Parole/Discharge and Inmate Benefit Fund....

5) **The administrators of these programs will not keep any cash,** nor will they make any cash purchases. Any cash or checks received will be deposited, either in the Program’s checking account, or with the Business Manager for deposit in the appropriate account, by the end of the next business day after receipt.

a) The only exception is that the Exchange will retain a maximum of two hundred dollars (\$200.00) for change....” (**Emphasis Added**)

Also, we noted discrepancies between trustee checks received and amounts owed by the trustee clerk as recorded in the Art and Crafts sales ledger. Approximately, once a month the Trustee Clerk prepared and forwarded a check for amounts due the Arts and Crafts fund for inmate supply purchases and the ten percent program overhead charge for inmate-to-inmate sales. For three of these payments in our sample, amounts received and deposited into the Arts and Crafts account from the Trustee Drawing Account failed to match the amount due as recorded in the Arts and Crafts ledger as described below:

<u>Payment Date</u>	<u>Amount Paid by Trustee Clerk</u>	<u>Amount Due per A&C Ledger</u>	<u>Amount Paid Over/(Under) Amount Due</u>
<u>May 4, 2004</u>	<u>\$2,318.86</u>	<u>\$2,336.39</u>	<u>(\$17.53)</u>
<u>Feb. 18, 2004</u>	<u>\$1,302.23</u>	<u>\$1,300.23</u>	<u>\$2.00</u>
<u>Dec. 2, 2003</u>	<u>\$1,243.60</u>	<u>\$1,251.30</u>	<u>(\$7.70)</u>

According to the Arts and Crafts Accounting Technician, when differences occur between the amounts paid by the Trustee Clerk and amounts due according to the Arts and Crafts accounting records, he and Trustee Clerk meet and resolve these differences. However, the Technician was unable to provide documentation, such as adjusting entries or other records, supporting the reconciliation of the differences. Therefore, we were unable to determine if discrepancies between the Arts and Crafts accounting records and the amounts paid from the Trustee fund were properly resolved.

We recommend Mount Olive Correctional Complex comply with the West Virginia Division of Corrections' Policy Directive 1.19 and MOCC's Operational Procedure 1.10, Section V-D. We also recommend the MOCC record the date Arts and Crafts moneys are received and that all Arts and Crafts receipts be deposited daily.

Agency's Response

The Arts & Crafts supervisor could not find the receipt for the three (3) lumber orders totaling \$54.46.

Will comply with daily deposits of Arts and Crafts fund.

Arts and Crafts Local Bank Account Disbursements

Inmates who participate in the Arts and Crafts program are permitted to purchase arts and crafts supplies which are kept in stock at the Arts and Crafts Store (supply purchases). Inmates who participate in the Work Station Arts and Crafts Program are permitted to purchase certain arts and crafts supplies, which are not kept in stock at the Arts and Crafts store, from select vendors (catalog purchases). In either case, the vendors are paid by checks drawn on the Arts and Crafts local bank account. Inmates then pay the Arts and Crafts account for catalog purchases at cost and for supplies kept in stock at cost plus a ten percent mark-up for program overhead expenses.

Although copies of itemized order forms for catalog purchases were kept by the Arts and Crafts Department and made available for our review, vendor invoices and vendor credit/debit memos were forwarded by the Arts and Crafts Department to the purchasing inmate without being copied. Therefore, we were unable to use vendor invoices in determining if correct amounts were paid the vendor and if items ordered were received by matching the

itemized invoice to itemized receiving reports. We attempted to use the itemized order forms in lieu of vendor invoices, however, we noted five payments totaling \$138.98, from a total sample of 50, where either amounts paid the vendors did not match amounts recorded on the order forms or the order form could either not be located or was illegible, as detailed in the following table:

<u>Check #</u>	<u>Vendor Payee</u>	<u>Comments</u>	<u>Amount</u>
4055	Earl K. Koch Co.	No Order Form, Invoice or Debit Memo	\$ 8.07
4177	Leather Factory	No Order Form or Invoice	39.84
4244	Elswick Lumber	Order Form Indicated Amount Due of \$54.15. No Invoice or Debit Memo.	10.00
5029	J.Weiner Company	Order Form Illegible. No Invoice	58.50
4532	J. H. Cook	Mathematical Error of \$2.00 on Order Form. No Invoice	<u>22.57</u>
TOTAL			<u>\$138.98</u>

The West Virginia Division of Corrections Policy Directive: 119.00 Section D.

states in part:

“D. Record keeping for each program shall be maintained through a ledger/computer system which, at a minimum, will document:

1. Receipts - a record of all cash, checks, voucher transfers, and accounts receivable.
2. Disbursements - a record of all funds paid out. A **written documentation (invoice, etc.) will be kept on file for each disbursement. . . .**
5. **Vouchers/Orders - copies of all vouchers and orders issued in the operation of the various programs will be maintained as an integral part of the record keeping process. . . .” (Emphasis added)**

We recommend Mount Olive Correctional Complex comply with the State of West Virginia Division of Corrections Policy Directive: 119.00, section D and maintain copies of vendor invoices and credit and debit memos for Arts and Crafts supply and catalog purchases.

Agency's Response

No response by the Agency.

Receiving Reports for Arts and Crafts Purchases

For our test of purchases made from the Arts and Crafts account, we were unable to verify the receipt of three lumber orders totaling \$54.46. Most of the items ordered for Arts and Crafts Program are received by the MOCC Post Office, where they are inspected and receiving reports are completed. However, according to the Arts and Crafts Coordinator, lumber products for the Arts and Crafts program are received through the MOCC Central Receiving Department. When they are received at the Arts and Crafts Department Dock, Central Receiving informs the Arts and Crafts Coordinator. Then, Arts and Crafts employees “check off” the order by comparing items received to the packing slip and the Arts and Crafts order form; however, no receiving reports are generated. By not maintaining adequate records for the lumber products, we have no means of verifying if the items were received as ordered by the MOCC Arts and Crafts Program. Also, we believe good internal control practice dictates that orders should be received by MOCC Central Receiving employees and the required receiving documents should be generated by them.

Mount Olive Correctional Complex Post Order 1B - 12 states in part:

““01. Copies of requisitions and purchase orders will be assigned purchase order numbers and be sent to Central Receiving with a Receiving Report to ensure that items received are “as ordered”. Central Receiving shall be notified of

all purchase order changes and/or cancellations in a timely manner to minimize the possibility of errors.

02. In case of local purchases, it shall be the responsibility of the person making the purchase to present to Central Receiving a copy of the Requisition/Purchase Order along with the Invoice/Packing Slip before utilizing the goods or materials purchased.

03. There will be no verbal authorizations to purchase goods or materials under any circumstances. Central Receiving will not permit any goods or materials purchased to pass through their office unless accompanied by all required documentation. Said goods may be held in Central Receiving to be returned to the Vendor, or delivery may be refused at the discretion of the Central Receiving Supervisor . . .” **(Emphasis added)**

Additionally, we were unable to verify the receipt of one order for \$77.60 since the MOCC Post Office only maintained receiving reports for six months and log books used to record received items were not always sufficiently detailed.

We recommend Mount Olive Correctional Complex comply with the Mount Olive Correctional Complex Post Order 1B - 12.

Agency's Response

Orders are received in either Post Office or Central Receiving depending on size. The Supervisor in these areas opens and checks for contraband, verifies the vendor's packing slip against order and notifies Arts and Crafts of package. Small boxes go to the Post Office and Supervisor checks against order. Supervisor then copies vendor packing slip, gives the inmate the original, and the Supervisor in Arts and Crafts keeps copies.

The Arts & Crafts supervisor could not find the receipt for the three (3) lumber orders totaling \$54.46.

Food and Drink Purchases From the Arts and Crafts Account

During our test of the Arts and Crafts local bank disbursements, we noted the MOCC paid \$908.01 from the Arts and Crafts local bank account to pay for pizza and soft drinks for the inmates participating in the Arts and Crafts Program, as detailed below:

<u>Date</u>	<u>Vendor Payee</u>	<u>Amount</u>
<u>12/10/2002</u>	<u>Pizza Hut</u>	<u>\$420.31</u>
<u>12/10/2002</u>	<u>MOCC Exchange</u>	<u>16.80</u>
<u>12/16/2003</u>	<u>Pizza Hut</u>	<u>455.30</u>
<u>12/22/2003</u>	<u>MOCC Exchange</u>	<u>15.60</u>
	Total	<u>\$908.01</u>

According to the Arts and Crafts Coordinator, every Christmas season the Warden authorizes these disbursements; however, we believe the monies deposited in the Arts and Crafts account are intended for program overhead costs.

Operational Procedure 5.03A, Section V-C, states in part:

“... 3. Huge bulk supplies may be stored on hand for sale to inmates and sales will be handled through the inmate voucher system **with a ten percent (10%) mark-up on bulk supplies added to cover handling fees....**”

Section D of the same Operational Procedure states in part:

“... 4. Sold to other inmates.

. . . f. The Trustee Clerk will deduct funds for the buying inmate’s account and disperse ninety percent (90%) into the selling inmate’s

spending account while **the remaining ten percent (10%) will be placed on the Arts and Crafts Account.**

...5. Sold to people other than inmates.

... c. Upon completing the transaction, the Accounting Clerk will have the funds from the price of the item sold (**less ten percent [10%] for the Arts and Crafts Account**) added to the selling inmate's spending account. . . ." (**Emphasis added**)

We recommend the MOCC comply with Operational Procedure 5.03A and use the ten percent mark-up for overhead expenses of the program.

Agency's Response

The food was purchased from the 10% monies held by the Arts & Crafts department. The food was for inmates participating in Arts & Crafts Program and only benefited inmates in that program. This expenditure for food is only conducted during the month of December for Christmas. This practice has ceased and the mark up will be used in accordance with operational procedure as recommended by the Auditor.

SECURITY TRAVEL PAROLE DISCHARGE ACCOUNT

Security Travel Expenses

During our audit period, the MOCC Transportation Department received inmate transportation orders/requests for court ordered appearances, medical appointments, and deathbed and funeral visits. Once an order/request to transport an inmate had been received and the necessary approvals obtained, the Officer-In-Charge (OIC) of the MOCC Transportation Department assigned a Transportation Officer or Officers to conduct the transport. According to the OIC, these assignments were scheduled on the MOCC - Transportation Department's Weekly Inmate Trip Schedule (trip schedule).

Security Travel Officers received monthly travel advances from the MOCC Business Office to pay for meals for inmates and themselves while transporting inmates. Before receiving a subsequent advance, the Business Office required each Transportation Officer to settle the previous month's travel advance by submitting a travel expense settlement form supported by meal receipts. Advance amounts not expended were required to be returned in the form of cash to the Business Office.

During our test of security travel, we noted there were no internal controls in place to prevent officers from submitting reimbursement requests for expenses not incurred, since the Transportation Office was not required to review the forms and certify if meal reimbursements were for legitimate inmate transport. We attempted to verify the legitimacy of 479 inmate transports with meal expenses totaling \$7,066.04 by reconciling the trips recorded on the travel expense settlement forms to the Transportation Office's inmate trip schedules. We determined 103 inmate transports with meal expenses totaling \$1,531.16, approximately 21.7% of the total meal reimbursements tested, were not recorded on the trip schedules. Assuming our sample is representative of the entire population of \$20,987.27 in meal expenses paid for inmate transport during fiscal years 2004 and 2003, approximately \$4,500.00 in meal expenses were paid for trips not documented by the MOCC Transportation Office.

West Virginia Purchasing Division - Travel Management Unit, Travel Rules Section 1, subsection 2, article 5 states:

“The responsibility to audit a traveler’s expense account settlement lies with the state agency. Approval of a traveler’s expense account settlement by the state agency means that the expense account settlement meets all criteria established by this rule for reimbursement. The state agency shall audit and submit an accurate expense account settlement for

reimbursement to the State Auditor’s Office withing 15 days after completion of travel.”

Since the Transportation Office does not verify whether travel expense reimbursements made to transportation officers are for legitimate inmate transport, there are no internal controls present preventing the Business Office from paying fraudulent transportation expenses. According to the Transportation Office’s OIC, the high volume of inmate travel prevents him from having the opportunity to review the expense settlement forms and receipts. He added, however, that he is aware the Transportation Office should be reviewing travel expense forms and receipts, but presently it is impossible with the office’s current work load.

Also, we tested 39 travel advance settlements where \$994.07 in unspent advance monies had been returned with expense settlement forms to the Business Office. For 38 settlements totaling \$912.22, the amount of time the Business Office held the returned cash before depositing the moneys in the local bank account ranged from 10 to 71 days with the average time elapse of approximately 32 days.

Mount Olive Correctional Complex Operational Procedure 1.10, Section V states in part:

“ . . . A. Cash Management:

a. Cash or checks received by the various programs within the facility with their own checking accounts will be deposited to that particular account on the day received, if within regular banking hours. Monies that cannot be deposited the same day will be secured in the Business Office’s financial safe until a deposit can be made the next day. . . .” **(Emphasis added)**

If receipts are not deposited timely, the probability of monies being lost or stolen increases. Also, funds could be “borrowed” and replaced later. An Office Assistant for the

MOCC Business Office stated that on several occasions the returned moneys were forgotten or overlooked until she performed the monthly bank reconciliation.

We recommend the Mount Olive Correctional Complex comply with Section 1, subsection 2, article 5 of the West Virginia Purchasing Division's Travel Rules and the MOCC Institutional Operational Procedure 1.10, Section V.

Agency's Response

As soon as Mt. Olive Correctional Complex Executive Staff became aware, the OIC of transportation was given a direct order to review and approve all meal expenses for inmate transports. The Business Office will not process the settlement without OIC signature of approved travel expense. Mt. Olive Correctional Complex will comply with Operational Procedure 1.10 on daily deposits.

Repeating Check Control Numbers

We tested disbursements from Security Travel & Parole/ Discharge and found 111 instances of repeating check control numbers. Checks numbers 1493 through 1603 were issued sequentially from March 24, 2003 through September 2, 2003; however, beginning on September 4, 2003 and ending on March 2, 2004, these same 111 check control numbers were again used for checks written on the account.

Mount Olive Correctional Complex's Operational Procedure 1.10, Section A-2 states in part:

“2. The Business Manager is designated as having the responsibility for ensuring that the correct and proper standards are in place and maintained for the control and/or utilization of the following fiscal areas and will work in conjunction with the Warden, AWA, MOCC Trustee Clerk, and MOCC Financial Staff in fulfilling these responsibilities.

a. Internal Controls . . .” (Emphasis added)

Using check control numbers that have been previously used leads to confusion in the accounting records and in performing bank reconciliations. Also, if each check written on a particular account does not have a unique control number, there is an increased risk that internal controls may not detect fraudulent checks written on the account.

The Associate Warden of Administration stated that the bank erred in sending checks with previously used control numbers. We believe, however, all checks should be reviewed upon receipt and returned to manufacturer if errors, such as repeating control numbers, are observed.

We recommend the Mount Olive Correctional Complex comply with Institutional Operational Procedure 1.10, Section A-2.

Agency's Response

The bank issued checks to Mt. Olive Correctional Complex that was not properly numbered. As soon as the business office noticed the numbers on the checks were wrong (duplicated), the bank was notified and new checks were issued to Mt. Olive Correctional Complex. All remaining checks that were improperly numbered have been destroyed. All future orders when received will be reviewed to ensure no duplication has occurred prior to use.

INMATE BENEFIT FUND

Improper Disbursements Paid From Inmate Benefit Fund.

During our test of the disbursements paid from the Inmate Benefit Fund (6381), we noted the MOCC used the fund for unauthorized purposes. On eight occasions the Inmate Benefit Fund (IBF) was used to pay membership and administrative fees totaling \$700.26 to

West Virginia University - Mountain Doctor Television (MDTV) for a telemedicine project. The payments are detailed in the table below:

WVFIMS Cover Sheet Date	WVFIMS Document Number	Description	Amount
01/03/2003	I005686569	Administrative Fee - Nephrology	\$ 33.42
01/08/2003	I005686476	Membership Fee	300.00
04/03/2003	I005795319	Membership Fee	50.00
05/21/2003	I005890765	Membership Fee/Administrative Fee - Rheumatology	83.42
05/05/2003	I005852893	Membership Fee	50.00
04/28/2003	I005855162	Membership Fee	50.00
07/09/2003	I005952446	Membership Fee/Administrative Fee - Dermatology	83.42
08/27/2003	I006033438	Membership Fee	<u>50.00</u>
TOTAL			<u>\$700.26</u>

The State code does not provide for the payment of inmate medical costs through the Inmate Benefit Fund. Chapter 25, Article 1, Section 3b of the West Virginia Code, as amended, states in part:

“ . . . (c) The inmate benefit fund may only be used for the following purposes at correctional facilities:

- (1) Open-house visitation functions or other nonroutine inmate functions,
- (2) Holiday functions which may include decorations and gifts for children of inmates;
- (3) Cable television service;
- (4) Rental of video cassettes;
- (5) Payment of video license;
- (6) Recreational supplies, equipment or area surfacing;
- (7) Reimbursement of employee wages for overtime incurred during open-house visitations and holiday functions;

- (8) Postsecondary education classes;
- (9) Reimbursement of pro rata share of inmate work compensation;
- (10) Household equipment and supplies in dayrooms or units as approved by chief executive officers of institutions, excluding supplies used in the daily maintenance and sanitation of the unit;
- (11) Christmas or other holidays gift certificates for each inmate to be used at the exchange or the commissary;
- (12) Any expense associated with the operation of the fund;
- (13) Expenditures necessary to properly operate an automated inmate family and victim information notification system;
- (14) Any expense for improvement of the facility which will benefit the inmate population that is not otherwise funded; and
- (15) Any expense related to the installation, operation and maintenance of the inmate telephone system. . . .”

A Division of Correction’s staff member agreed that the charges should not have been paid from the IBF account. She also stated that, although the administrative and membership fees are paid monthly, the MOCC medical providers have yet to implement the telemedicine project.

We recommend Mount Olive Correctional Complex comply with Chapter 25, Article 1, Section 3b of the West Virginia Code, as amended, and not pay inmate medical costs from the Inmate Benefit Fund.

Agency’s Response

As soon as the Mt. Olive Correctional Complex Business Office was advised they could not pay for MDTV out of the IBF, they discontinued and started paying the fee out of the general revenue fund.

Vending Commission Verification for IBF Account

Mountain Vending has contracted with the West Virginia Division of Corrections to provide chips, soft drinks, crackers, and cookies in vending machines located in the MOCC

Visitation Department. Mountain Vending issues a commission check of 12% of net sales (after deducting six percent West Virginia Sales Tax) to Mount Olive to be deposited into the Inmate Benefit Fund.

The agreement with Mountain Vending states in part:

“. . . Mountain Vending further agrees to **pay a commission of 12%** on all sales with exception of a 6% sales tax taken into consideration (commission would be based on net sales) made through said machines **payable no later than the end of the following month sales were made. . . .**” (Emphasis added)

Although the agreement with the vendor requires that payments be made monthly, we noted only four commission checks totaling \$1,420.09 were deposited in fiscal year 2004 and nine checks totaling \$1,667.08 were deposited during fiscal year 2003.

Also, we were told no employee for the MOCC Business Office accompanies the vendor when monies are removed from the vending machines and, consequently, the MOCC has no means of verifying if the commissions paid are all the commissions to which it is entitled.

Policy Directive 111.02, Section V-A states in part:

“1. Business Managers are hereby designated as the individuals responsible for ensuring that the correct and proper standards are in place and maintained for the control and/or utilization of the below-noted fiscal areas.

a. internal controls . . .” (Emphasis added)

According to the MOCC Associate Warden of Administration (AWA) , the vendor is on the honor system. In order to more efficiently verify if all commissions due were received, we believe MOCC management should require the vendor to remit commission checks monthly. We also believe an MOCC Business Office employee should accompany the vendor and observe and record the amount of monies removed from the vending machines. Based on

the information obtained and the regular receipt of commission checks, the MOCC would be in a better position to verify if proper vending commissions were received.

We recommend the MOCC comply with Policy Directive 111.02, section V-A.

Agency's Response

Mountain Vending Company was contacted by a Mt. Olive Correctional Complex employee monthly and/or bi-monthly to remind them to send the monthly payment. Mountain Vending repeatedly notified Mt. Olive Correctional Complex justifying late payment due to staff shortages. Therefore, their checks were not sent timely. Mt. Olive Correctional Complex has documentation to prove they did call Mountain Vending and request payment owed. Mountain Vending has told Mt. Olive Correctional Complex they will honor their agreement and start sending the checks on a monthly basis along with itemized sales reports by machines and commission.

Although Mountain Vending Company representative is not escorted to the vending machines located in the Administrative Wing, he/she is escorted and observed when removing cash from all other on-site vending machines. The vendor cannot gain access to the remaining machines without an employee escort, due to the location of the machines.

Failure to Reconcile Inmate Benefit Fund Account

In accordance with State statute, the Business Office maintained a general ledger for the Inmate Benefit Fund (6381) during our audit period. The ledger was used to record expenditures, receipts and to maintain a record of the current account balance. According to the MOCC Associate Warden of Administration, decisions on whether to purchase were often based

on the account balance recorded in the ledger. The ledger also was used to prepare and submit monthly and yearly reports to the Commissioner of the Division of Corrections.

The MOCC Business Office Staff informed us that the ledger was reconciled to WVFIMS on a monthly basis. However, our reconciliation of the IBF ledger to WVFIMS revealed that three receipts totaling \$696.90 recorded in the ledger were erroneously deposited in the MOCC General Revenue Fund (0450-888) as detailed below:

<u>WVFIMS Number</u>	<u>WVFIMS Date</u>	<u>Description</u>	<u>Amount</u>
D894396	January 2, 2003	Reimbursement for Bottled Water	\$344.70
D953645	July 17, 2003	Reimbursement for Bottled Water	344.70
D953645	July 17, 2003	Inmate Class Withdrawal	<u>7.50</u>
TOTAL			<u>\$696.90</u>

Furthermore, a deposit for \$174.00 (WVFIMS# D892585) made on December 18, 2002 into the IBF account was not recorded in the IBF ledger.

The MOCC’s Operational Procedure 1.10, Section V, Subsection D-2 states in part:

- “ . . . a Each program shall maintain a ledger which will document the following:
 - b. Receipts: . . .
 - c. Disbursements: . . .
- 4) Balance: **The ledger will be maintained in a current, balanced, up to date condition** with all entries posted in a timely manner. . . .” **(Emphasis added)**

Since the ledger contained inaccurate receipt information and account balances, purchasing decisions may have been unduly influenced on faulty financial information.

We recommend the MOCC comply with Operational Procedure 1.10, Section V, Subsection D-2 and that the MOCC reconcile the IBF ledger to WVFIMS at the conclusion of every month.

Agency's Response

A mistake was made by the former Business Manager when he deposited \$696.90 into the MOCC general revenue fund instead of the IB Fund.

Failure to Obtain Bid Documentation

The Mount Olive Correctional Complex was unable to provide the required bid documentation for two disbursements exceeding \$1,000 each and totaling \$2,275.38. Both of these disbursements were made from the Inmate Benefit Fund (6381). The following schedule details the disbursements:

WVFIMS			
<u>DATE</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
04/22/2003	GATE/ABDI	Post Secondary Education Textbooks	\$1,071.58
05/22/2003	Gorby's Music	Music Equipment Repairs	<u>1,203.80</u>
		TOTAL	<u>\$2,275.38</u>

Section 3.2 of the West Virginia Purchasing Division Policies and Procedures Handbook states in part:

“ . . .For purchases \$1,000.01 to \$5,000.00, three **verbal** bids are required, where possible, and should be documented on a **Verbal Bid Quotation Summary (WV-49)**.”

If bids had been obtained, purchases may have been made a lower cost to the Inmate Benefit Fund. The Associate Warden of Administration (AWA) said he was unaware that textbooks obtained through Gate/Abdi could be purchased from another distributor. He also

said it was impossible to get estimates for musical instrument repairs until the instruments are accessed by a repair person. However, we believe that bids in the form of hourly rates should be used in these instances.

We recommend the MOCC comply with Section 3.2 of the West Virginia Purchasing Division Policies and Procedures Handbook and obtain bids, when possible, for purchases in excess of \$1,000.00.

Agency's Response

MOCC did not get bids for Post Secondary Education Textbooks totaling \$1,071.58, since the business manager thought GATE/ABDI was a sole source. Additionally, no bid was received from music equipment repairs totaling \$1,203.80, since Gorby's Music can not estimate repair expenses until they look at the piece of equipment.

EMPLOYEE ASSOCIATION ACCOUNT:

Vending Receipts

During our audit period, the MOCC received \$4,184.65 in vending machine commissions from Mountain Vending Company that were deposited into the Employee Association Account. However, we could not find any authority permitting MOCC employees to receive profits from vending machines located within the confines of the correctional complex.

In addition to vending revenue, the account receives funds from fund raisers and donations. The collections were used for employee parties, employee trips, employee disaster relief, flowers for funerals and employee monetary awards.

Chapter 6B, Article 2, Section 5 of the West Virginia Code outlines ethical standards for public employee and states in part:

“(b) Use of public office for private gain. - (1) A public official or public employee may not knowingly and intentionally use his or her office or the prestige of his or her office for his or her own private gain or that of another person. . . .”

Chapter 12, Article 2, Section 2 of the West Virginia Code, as amended, states in part:

“(b). . . **All moneys, 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 . . .” **(Emphasis added)**

We recommend the MOCC comply with Chapter 6B, Article 2, Section 5 of the West Virginia Code, and Chapter 12, Article 2, Section 2, of the West Virginia Code, as amended.

Agency's Response

Employee Association Account has received the vending machine commissions since MOCC opened under the direction of former Warden George Trent. This does not include the commissions made from the vending machines located in the Inmate Visitation Area. Those commissions are deposited into the IBF. As of December 2004 and the result of the Huttonsville Correctional Center's audit, Commissioner Rubenstein has directed all commission from vending machines in Administrative areas be deposited into the State's General Revenue Fund in accordance with audit recommendation.

MANAGEMENT OVERSIGHT

Failure to Reconcile Local Bank Accounts

During our audit period the MOCC Business Office failed to adequately reconcile the City National Bank statements for the trustee drawing and savings accounts to agency accounting records. After a MOCC Business Office employee made adjustments for some reconciling items, the differences remaining between MOCC book and bank balances for these accounts were substantial and generally fluctuated with each subsequent month, as detailed in the following table:

<u>Month</u>	<u>Year</u>	<u>Book Balance Over/(Under) Bank Balance</u>	
		<u>Trustee Drawing</u> <u>Account</u>	<u>Trustee Savings</u> <u>Account</u>
July	2002	\$336.16	(\$217.58)
August	2002	\$211.79	(\$349.97)
September	2002	\$368.85	(\$161.77)
October	2002	\$63.18	(\$212.34)
November	2002	(\$228.61)	\$183.04
December	2002	(\$1,022.00)	\$228.63
January	2003	(\$1,022.00)	\$228.63
February	2003	(\$821.77)	\$187.83
March	2003	(\$1,414.04)	\$166.66
April	2003	(\$1,448.84)	(\$105.19)
May	2003	\$77.71	\$38.78
June	2003	(\$1,607.27)	\$38.78
July	2003	\$333.16	\$38.78
August	2003	\$1,669.79	\$38.78
September	2003	(\$2,976.49)	\$37.32
October	2003	(\$2,851.49)	\$37.94

<u>Month</u>	<u>Year</u>	<u>Book Balance Over/(Under) Bank Balance</u>	
		<u>Trustee Drawing Account</u>	<u>Trustee Savings Account</u>
November	2003	(\$3,465.18)	\$37.29
December	2003	(\$2,064.50)	\$37.29
January	2004	\$2,016.63	\$37.29
February	2004	\$817.64	\$37.29
March	2004	(\$8,121.45)	\$37.29
April	2004	(\$2,766.25)	\$37.29
May	2004	(\$1,059.76)	\$86.93
June	2004	(\$389.32)	\$55.75

Also, during the last three months of our audit period, the MOCC failed to completely reconcile the MOCC Exchange local bank account. The book balance exceeded the bank balance for the April through June 2004 reconciliations by \$64.05, \$63.85 and \$65.33, respectively. The failure to reconcile this account likely contributed in the MOCC incurring \$60.00 in bank overdraft charges for two insufficient fund checks posted by the bank on June 18, and 21, 2004 for \$2,865.71 and \$740.00, respectively.

The State of West Virginia Division of Corrections Policy Directive 119.00, Section I states in part:

“It is the policy of the West Virginia Division of Corrections to maintain a mechanism that will provide for the ongoing monitoring of an institution/facility/center’s fiscal activities. . . .”

An office assistant for the MOCC Business Office was in charge of reconciling the local account during our audit period. The Office Assistant told us she was unsure why differences between the bank and book balances remained unreconciled every month; however, she speculated differences may have occurred due to: (1) Checks listed as outstanding that have

cleared the bank and been missed in the reconciliation process (2) Entry errors made by the Trustee Office, and/or (3) Software glitches in the Syscon inmate trustee accounting program. The Office Assistant added that she does not have enough time to investigate and determine the reason for every difference. We believe, however, the complete and proper reconciliation of accounts should be an important component of any internal control structure, since doing so may deter or detect fraud, uncover bank or book recording errors, and prevent bank insufficient fund charges.

Also, we noted several adjustments made in the reconciliation forms that were either illogical, not timely resolved, or inadequately described. Some of these are listed below:

- The June-2004 reconciliation form included reconciling items for interest totaling \$145.50 earned for seven consecutive months (December 2003 thru June 2004) that had not been recorded on the trustee savings ledger.
- For two successive months (May and June 2004), an \$80.00 reconciling item was deducted from the book balance on the trustee drawing reconciliations due to a “duplicate entry” in the Trustee drawing account ledger.
- Seven adjustments were made in the June 2004 trustee drawing reconciliation form for “Deposit in drawing ledger instead of savings.” Four of these adjustments totaling \$154.85 were deducted from the book balance, however, three of the adjustments totaling \$23.60 were added to the book balance.
- The June 2004 trustee drawing account reconciliation included an adjustment of \$45.00 deducted from the book balance for “Other found in mail 01/13/04.” Due to the vague description and the inability of the MOCC Business Office staff to provide information related to the entry, we were unable to determine why the \$45.00 was deducted from the book balance.
- On the June 2003 Security Travel/Parole Discharge reconciliation sheet, an adjustment for \$299.55 was added to the book balance for a “Deposit in Transit.” We examined the adjustment and concluded it was actually for a \$299.55 deposit made to the bank that had been omitted from the agency’s ledger.

Numerous “outstanding” checks were included as reconciling items on the MOCC bank reconciliation forms. We examined these checks and concluded the vast majority of these had been listed as outstanding well in excess of the six-month period the bank was obligated to honor them. The following schedule further details those checks listed as outstanding on the MOCC’s June 2004- local bank reconciliation forms.

- 305 checks totaling \$13,290.45 were listed as outstanding on the June 2004-Trustee Drawing bank reconciliation. Of this amount, 169 totaling \$3,395.09 had been outstanding over six months, the oldest of which had been listed as outstanding since May 28, 1999.
- 56 checks totaling \$171.92 were listed as outstanding on the June 2004- Trustee Savings bank reconciliation. Of this amount, 53 checks totaling \$167.76 had been outstanding over six months, the oldest of which had been listed as outstanding since January 16, 2002.
- Four checks totaling \$344.95 were listed as outstanding on the June-2004 Security Travel/Parole Discharge bank account reconciliation. One of these checks was outstanding well in excess of six months. The Business Office was unable to tell us the exact date this check was written since the check registers prior to June 16, 1999 could not be located. However, it was apparent that the check had been listed as outstanding and was recorded as a reconciling item on the Business Office’s reconciliation form for at least five years.

After we made inquiries related to the MOCC’s failure to reconcile all local bank accounts, the MOCC management reassigned the responsibility of reconciling the trustee accounts to another employee. This employee researched those checks listed by the MOCC as outstanding on the reconciliation forms and concluded that many had previously cleared the bank. The remaining checks that had been outstanding in excess of six-months were voided and the balances added back to inmate accounts. We believe those unclaimed monies in the inmate accounts should be remitted to the West Virginia Treasurer’s Office - Unclaimed Property Division in accordance with West Virginia Uniform Unclaimed Property Act.

Chapter 36, Article 8, Section 7 of the West Virginia Code states in part:

“(a) A holder of property presumed abandoned shall make a report to the administrator concerning the property. . . .”

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

“(a) Except for property held in a safe deposit box or other safekeeping depository, upon filing the report required in section seven of this article, the holder of property presumed abandoned **shall pay, deliver or cause to be paid or delivered to the administrator the property described in the report as unclaimed . . .**” (Emphasis added)

We recommend the MOCC comply with State of West Virginia Division of Corrections Policy Directive 119.00, Section I. We further recommend the MOCC deliver unclaimed properties to the West Virginia Treasurer’s Office - Unclaimed Property Division in accordance with Chapter 36, Article 8, Sections 7 and 8 of the West Virginia Code.

Agency’s Response

An application is in progress to gain authorization from the Treasurer’s Office to open an additional outside bank Trustee Account. This will permit Mt. Olive Correctional Complex to transfer all monies of inmates currently at Mt. Olive Correctional Complex to that account, leaving the excess monies in the old trustee account until it can be appropriately transferred to the proper agency. This is our best resolution effort to open an account with documented balances of current inmates that will be reconciled per bank statement.

The Exchange Account has been completely reconciled to date.

INDEPENDENT AUDITORS' OPINION

The Joint Committee On Government and Finance:

We have audited the statement of cash receipts, disbursements and changes in cash balances of the Mount Olive Correctional Complex (MOCC) for the years ended June 30, 2004 and June 30, 2003. The financial statement is the responsibility of the management of the MOCC. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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.

Our audit revealed several areas of weakness in the system of internal controls over the financial operations of the Mount Olive Correctional Complex as follows: **1.** Significant weakness in the internal controls over the Inmate Exchange's (Commissary) disbursements and receipts allowed the former Inmate Exchange Supervisor to misappropriate at least \$174,075.45 in Exchange monies during our audit period. **2.** The MOCC did not maintain accurate inventory records in the MOCC Exchange for purchases for resale totaling \$1,671,011.26 made during our audit period. **3.** We were unable to determine if all trustee receipts received through the Post Office, Visitation Department and Inmate Intake were deposited since receipt numbers were not recorded in the Trustee accounting records. **4.** We were unable to determine if all Arts and Crafts receipts of currency were deposited since deposits of currency were not itemized or traceable to Arts and Crafts receipt records. **5.** We were unable to determine if meal reimbursements totaling approximately \$4,500.00 submitted by MOCC Inmate Transportation Officers were for meal expenses incurred during inmate transport.

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

In our opinion, except for the effects, if any, of our inability to rely on the system of internal controls of the Mount Olive Correctional Complex, and our corresponding inability to determine that all financial activities of the Mount Olive Correctional Complex were properly and fully accounted for in the financial records of the Mount Olive Correctional Complex, the financial statement referred to above presents fairly, in all material respects, the appropriations and expenditures and revenues collected and expenses paid by the Mount Olive Correctional Complex for the years ended June 30, 2004 and June 30, 2003 on the basis 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 purposes 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.

Respectively submitted,

A handwritten signature in black ink, reading "Theoford L. Shanklin". The signature is written in a cursive style with a horizontal line underneath the name.

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

November 4, 2004

Auditors: Michael A. House, CPA, Assistant Director
Stanley D. Lynch, CPA, Auditor-in-Charge
Trenton W. Morton
William H. J. Spencer, III, CPA
India R. Welder

**MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES**

**Inmate Benefit Fund - Account 6381, Inmate Trustee Drawing Account,
Inmate Trustee Savings Account, Commissary/Exchange Account,
Travel Discharge Account, Arts and Crafts Program Account**

	<u>Year Ended June 30, 2004</u>		
	<u>Special Revenue</u>	<u>Trust Funds</u>	<u>Combined Totals</u>
Cash Receipts:	\$1,209,045.24	\$1,319,517.22	\$2,528,562.46
Disbursements:			
Personal Services	21,417.28	0.00	21,417.28
Current Expenses	1,160,561.96	0.00	1,160,561.96
Repairs and Alterations	877.35	0.00	877.35
Assets	0.00	0.00	0.00
Inmate Funds and Benefits	<u>0.00</u>	<u>1,320,189.45</u>	<u>1,320,189.45</u>
	<u>1,182,856.59</u>	<u>1,320,189.45</u>	<u>2,503,046.04</u>
Cash Receipts Over/(Under) Disbursements	26,188.65	(672.23)	25,516.42
Beginning Balance	<u>51,498.02</u>	<u>242,724.42</u>	<u>294,222.44</u>
Ending Balance	<u>\$ 77,686.67</u>	<u>\$ 242,052.19</u>	<u>\$ 319,738.86</u>

See Notes To Financial Statement

Year Ended June 30, 2003

<u>Special Revenue</u>	<u>Trust Funds</u>	<u>Combined Totals</u>
<u>\$1,302,670.23</u>	<u>\$1,445,246.45</u>	<u>\$2,747,916.68</u>
<u>57,449.52</u>	<u>0.00</u>	<u>57,449.52</u>
<u>1,350,529.46</u>	<u>0.00</u>	<u>1,350,529.46</u>
<u>3,160.07</u>	<u>0.00</u>	<u>1,353,689.53</u>
<u>4,516.34</u>	<u>0.00</u>	<u>7,676.41</u>
<u>0.00</u>	<u>1,533,175.86</u>	<u>1,537,692.20</u>
<u>1,415,655.39</u>	<u>1,533,175.86</u>	<u>4,307,037.12</u>
(112,985.16)	(87,929.41)	(200,914.57)
<u>164,483.18</u>	<u>330,653.83</u>	<u>495,137.01</u>
<u>\$ 51,498.02</u>	<u>\$ 242,724.42</u>	<u>\$ 294,222.44</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

**INMATE TRUSTEE DRAWING ACCOUNT
INMATE TRUSTEE SAVING ACCOUNT
COMMISSARY/INMATE EXCHANGE ACCOUNT
TRAVEL AND DISCHARGE ACCOUNT
ARTS AND CRAFTS PROGRAM ACCOUNT
EMPLOYEE ASSOCIATION ACCOUNT
INMATE BENEFIT FUND - FUND 6381**

NOTES TO FINANCIAL STATEMENTS

Note A - Accounting Policies

Accounting Method: The cash basis of accounting is followed by all reported accounts. Therefore, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statement is not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Combined Totals: The combined totals contain the totals of similar accounts of the various funds. Since the 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 - Employee Funds

Mount Olive Correctional Complex maintained a local bank account used to account for funds raised and expended for the benefit of employees. This account, which was excluded from the basic financial statement, is detailed below along with a summary of its activities.

Employee Association Account: An account established to provide for employee parties, employee trips, employee disaster relief, flowers for funerals and employee monetary awards. Association account receipts included commissions on vending machine sales and fund raisers.

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts	\$ 12,116.10	\$ 8,293.83
Disbursements	\$ 11,802.79	\$ 8,526.23
Cash Balance	\$ 1,198.89	\$ 885.58

Note C - Intra-Account Transfers

The following intra-account transactions have been eliminated:

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Trust Funds	<u>\$159,163.82</u>	<u>\$ 94,062.58</u>

SUPPLEMENTAL INFORMATION

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Mount Olive Inmate Benefit Fund</u>		
<u>Fund 6481-640</u>		
Cash Receipts:		
Other Collections, Fees, Licenses and Income	\$118,674.64	\$131,442.99
	<u>118,674.64</u>	<u>131,442.99</u>
Disbursements:		
Personal Services	21,417.28	57,449.52
Current Expenses	93,551.69	134,748.71
Repairs and Alterations	877.35	3,160.07
Assets	<u>0.00</u>	<u>4,516.34</u>
	<u>115,846.32</u>	<u>199,874.64</u>
Cash Receipts Over/(Under) Disbursements	2,828.32	(68,431.65)
Beginning Balance	<u>17,704.14</u>	<u>86,135.79</u>
Ending Balance	<u>\$ 20,532.46</u>	<u>\$ 17,704.14</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE - LOCAL BANK ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Commissary / Exchange Account</u>		
Cash Receipts:		
Inmate Sales	\$ 969,622.99	\$ 837,548.97
Staff Sales and Other Collections	<u>46,533.71</u>	<u>259,928.90</u>
	1,016,156.70	1,097,477.87
Disbursements:		
Purchases for Resale	721,653.06	949,358.20
Unauthorized Disbursements	52,077.46	112,275.57
Contract Labor	0.00	48,521.25
Inmate Wages	0.00	6,079.86
Other	<u>221,775.82</u>	<u>24,121.81</u>
	<u>995,506.34</u>	<u>1,140,356.69</u>
Cash Receipts Over/(Under) Disbursements	20,650.36	(42,878.82)
Beginning Balance	<u>29,691.75</u>	<u>72,570.57</u>
Ending Balance	<u>\$ 50,342.11</u>	<u>\$ 29,691.75</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE - LOCAL BANK ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Travel and Discharge Account</u>		
Cash Receipts:		
Advances from Mount Olive General Revenue Account (0450-888)	\$24,000.00	\$23,000.00
Redeposits	<u>2,687.99</u>	<u>3,830.97</u>
	26,687.99	26,830.97
Disbursements:		
Security Travel	14,550.00	13,100.00
Discharged Inmate Travel	1,685.44	2,220.01
Travel Settlements Deposited in General Revenue Account (0450-888)	<u>10,449.63</u>	<u>12,515.51</u>
	<u>26,685.07</u>	<u>27,835.52</u>
Cash Receipts Over/(Under) Disbursements	2.92	(1,004.55)
Beginning Balance	<u>1,807.23</u>	<u>2,811.78</u>
Ending Balance	<u>\$ 1,810.15</u>	<u>\$ 1,807.23</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
SPECIAL REVENUE - LOCAL BANK ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Arts and Crafts Fund Account</u>		
Cash Receipts:		
Staff and Visitor Purchases	\$18,493.05	\$18,304.71
Sales Tax Collected	1,109.14	1,084.37
Trustee Fund Transfers (Supply Sales and Overhead)	<u>27,923.72</u>	<u>27,529.32</u>
	47,525.91	46,918.40
Disbursements:		
Trustee Fund Transfers (Inmate Commissions)	16,643.94	16,333.15
Supply Orders	7,919.04	11,098.08
Inmate Catalog Orders	18,325.83	18,116.25
Sales Tax Remitted	1,109.14	1,084.37
Other	<u>820.91</u>	<u>956.69</u>
	<u>44,818.86</u>	<u>47,588.54</u>
Cash Receipts Over/(Under) Disbursements	2,707.05	(670.14)
Beginning Balance	<u>2,294.90</u>	<u>2,965.04</u>
Ending Balance	<u>\$ 5,001.95</u>	<u>\$ 2,294.90</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
TRUST FUNDS - LOCAL BANK ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Inmate Trustee Drawing Account</u>		
Cash Receipts:		
Transfers From Inmate Savings Account	\$ 97,439.95	\$ 32,338.71
Other Receipts	<u>1,272,027.62</u>	<u>1,420,249.05</u>
	1,369,467.57	1,452,587.76
Disbursements:		
Transfers to Inmate Savings Account	61,723.87	61,723.87
Other Disbursements	<u>1,290,551.45</u>	<u>1,427,636.51</u>
	<u>1,352,275.32</u>	<u>1,489,360.38</u>
Cash Receipts Over/(Under) Disbursements	17,192.25	(36,772.62)
Beginning Balance	<u>80,594.93</u>	<u>117,367.55</u>
Ending Balance	<u>\$ 97,787.18</u>	<u>\$ 80,594.93</u>

MOUNT OLIVE CORRECTIONAL COMPLEX
STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
TRUST FUNDS - LOCAL BANK ACCOUNT

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
<u>Inmate Trustee Savings Account</u>		
Cash Receipts:		
Transfers From Trustee Drawing Account	\$ 61,723.87	\$ 61,723.87
Other Receipts	<u>47,489.60</u>	<u>24,997.40</u>
	109,213.47	86,721.27
Disbursements:		
Transfers to Inmate Drawing Account	97,439.95	32,338.71
Other Disbursements	<u>29,638.00</u>	<u>105,539.35</u>
	<u>127,077.95</u>	<u>137,878.06</u>
Cash Receipts (Under) Disbursements	(17,864.48)	(51,156.79)
Beginning Balance	<u>162,129.49</u>	<u>213,286.28</u>
Ending Balance	<u>\$144,265.01</u>	<u>\$162,129.49</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Exchange Account

Balance per Bank			\$50,342.21
Less:			
Outstanding Checks:			
	Check No.		
	6414	362.40	
	6415	337.25	
	6416	13,032.59	
	6417	341.41	
	6418	2,972.83	
	6419	3,142.06	
	6420	9,063.64	
	6421	3,330.63	
	6422	2,380.15	
	6423	<u>3,696.61</u>	
		38,659.57	
Unrecorded Interest Earnings			<u>8.13</u>
Total Deductions			\$38,667.70
Add:			
Bank Overdraft Charges:			
June 28, 2004		30.00	
June 29, 2004		<u>30.00</u>	
		60.00	
Exchange Receipts Deposited in Trustee Drawing Account		250.34	
Bank Recording Error		0.50	
Unresolved Difference		<u>63.55</u>	
Total Additions		<u>374.39</u>	
Balance per Book			<u>\$12,048.90</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Travel Discharge

Balance per Bank			\$1,904.60
Less:			
Outstanding Checks			
	Check No.	568	44.95
Voided Check Recorded on Books	1584		<u>50.00</u>
Total Deductions			94.95
Add			
Bank Recording Error			<u>0.50</u>
Balance per Book			<u>\$1,810.15</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Arts and Crafts Account

Balance per Bank \$5,702.25

Less:

Outstanding Checks

Check No.	4451	33.17
	4919	62.27
	5023	31.08
	5046	10.54
	5048	85.57
	5051	12.33
	5052	9.99
	5053	97.90
	5054	22.36
	5056	109.35
	5057	44.00
	5058	120.55
	5059	34.14
	5060	16.52
	5061	<u>10.53</u>
		<u>700.30</u>

Balance per Book \$5,001.95

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Trustee Drawing Account

Balance per Bank \$97,787.18

Less:

Outstanding Checks:

Check No.	
18727	10.00
18747	0.09
18748	0.82
18749	0.14
18750	0.33
18752	0.49
18757	0.12
18914	25.00
18936	10.66
19028	5.00
19158	4.38
19165	0.25
19203	15.00
19234	20.00
19398	50.00
19504	5.21
19816	65.00
19964	1.21
20000	0.11
20013	50.00
20037	50.00
20286	30.00
20287	2.73
20517	2.74
20616	4.00
20702	5.40
20704	29.51
20707	1.01
20709	6.02
20713	4.12
20774	50.00
21234	100.00

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	21332	18.00
	21555	46.98
	21594	2.56
	21894	10.00
	22032	30.00
	22083	0.31
	22155	150.00
	22505	1.00
	22516	2.00
	22927	30.00
	22931	30.00
	23208	5.25
	23228	50.00
	23273	20.00
	23309	250.00
	23463	100.00
	23888	10.00
	23971	0.07
	24033	20.00
	24399	8.00
	24403	15.00
	24544	50.00
	24586	20.00
	24678	10.00
	24679	10.00
	24685	13.00
	25461	14.00
	25578	10.00
	25825	0.04
	25832	0.27
	25834	0.56
	25895	3.25
	25902	0.27
	25093	0.64
	25905	0.09
	25906	2.89
	25908	0.15
	25910	0.06

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	26218	10.00
	26451	25.00
	26961	0.21
	27103	25.00
	27144	40.00
	27220	10.00
	27231	50.00
	27260	5.40
	27275	0.13
	27319	23.25
	27388	200.00
	27389	170.00
	27521	15.00
	27587	4.00
	27879	3.00
	27953	1.50
	28118	5.00
	28150	19.99
	28159	10.00
	28160	10.00
	28176	10.00
	28177	10.00
	28197	7.00
	28248	30.00
	28275	2.00
	28278	3.00
	28426	10.00
	28597	7.54
	28598	50.00
	28815	0.14
	28821	31.79
	28837	1.80
	29001	0.18
	29016	0.14
	29190	20.00
	29191	40.00
	29241	20.00
	29257	6.01

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	29281	0.09
	29452	20.00
	29484	13.50
	29538	25.00
	29723	30.00
	29735	0.15
	29736	20.00
	29813	20.00
	29815	40.00
	29879	10.00
	29941	0.01
	29983	0.11
	30167	1.00
	30260	0.10
	30301	50.00
	30394	5.00
	30415	40.00
	30557	7.00
	30565	0.24
	30579	15.00
	30621	5.00
	30643	5.00
	30747	5.00
	30826	25.00
	30827	10.00
	31489	136.50
	31517	12.50
	31534	10.00
	31609	5.00
	31630	2.09
	31632	65.85
	31799	0.13
	31800	72.00
	31863	5.00
	32145	5.00
	32173	2.00
	32522	5.00
	32523	5.00

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	32816	10.00
	32817	5.40
	32818	27.65
	32820	5.87
	32821	0.01
	32822	8.40
	32927	10.00
	33069	5.00
	33559	5.25
	33720	25.00
	33861	25.00
	34016	7.00
	34128	100.00
	34327	10.00
	34331	1.00
	34416	120.00
	34486	5.00
	34747	1.38
	34876	15.00
	34960	10.00
	34967	0.23
	35041	5.00
	35155	0.75
	35586	5.00
	35639	13.00
	35716	98.00
	35781	10.00
	35782	20.00
	35784	10.00
	35879	35.00
	35898	5.00
	36164	13.97
	36319	7.00
	36320	10.00
	36482	15.00
	36526	10.50
	36588	50.00
	36718	120.00

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	36808	120.00
	36847	120.00
	36855	147.00
	36885	20.00
	36939	76.98
	36965	50.00
	37023	40.00
	37038	120.00
	37074	359.00
	37121	17.50
	37242	20.00
	37269	120.00
	37279	293.00
	37286	120.00
	37294	120.00
	37309	3.25
	37311	124.00
	37324	85.00
	37349	106.00
	37355	10.00
	37387	65.00
	37397	120.00
	37415	19.99
	37424	8.95
	37428	26.95
	37453	20.00
	37460	20.00
	37461	30.00
	37467	175.94
	37483	108.94
	37491	44.99
	37496	8.75
	37497	267.00
	37498	40.70
	37505	29.94
	37506	56.98
	37507	11.94
	37508	29.94

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	37509	209.93
	37510	38.00
	37511	243.87
	37512	28.70
	37514	19.94
	37515	50.00
	37516	125.47
	37518	36.98
	37519	13.47
	37520	153.96
	37522	155.79
	37523	13.50
	37524	17.90
	37525	4.00
	37526	60.00
	37527	1.00
	37528	1.00
	37532	1.00
	37534	13.50
	37535	60.97
	37536	96.09
	37537	40.00
	37538	236.00
	37539	100.75
Check No.	37540	129.94
	37542	25.00
	37543	10.00
	37546	25.00
	37548	872.00
	37549	365.50
	37550	10.00
	37553	21.20
	37554	10.00
	37555	13.28
	37556	10.00
	37558	20.00
	37560	262.62
	37561	26.98

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	37562	5.00
	37564	52.75
	37565	110.00
	37567	29.54
	37568	26.25
	37569	10.45
	37570	39.25
	37571	30.49
	37572	51.25
	37573	68.96
	37575	55.91
	37576	36.98
	36577	74.50
	37578	46.00
	37581	100.00
	37582	10.00
	37583	100.00
	37587	46.98
	37588	70.40
	37589	9.75
	37590	30.50
	37591	18.75
	37593	50.00
	37594	50.00
	37595	30.00
	37596	5.00
	37597	10.00
	37598	100.00
	37600	33.25
	37601	46.98
	37602	28.96
	37604	310.84
	37605	474.31
	37609	4.00
	37611	22.50
	37612	37.50
	37613	6.00
	37614	12.50

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Check No.	37615	162.67
	37616	162.67
	37617	8.46
	37618	49.49
	37619	41.55
	37620	94.00
	37621	<u>27.42</u>
		13,290.45
Ledger Recording Errors		23.60
Deposit Omitted from Ledger		3.39
Exchange monies deposited in Error		<u>371.27</u>
Total Deductions		13,688.71
Add:		
Ledger Recording Errors		552.72
Other Found in Mail 1/10/04		45.00
Unresolved Difference		<u>389.32</u>
Total Additions		987.04
Balance per Book		<u>\$85,085.51</u>

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

Trustee Savings Account

Balance per Bank \$144,265.01

Less:

Outstanding Checks:

Check No.	2493	0.41
	2511	0.15
	2522	0.27
	2523	0.25
	2528	0.06
	2535	0.42
	2544	0.06
	2545	3.10
	2549	0.03
	2550	0.03
	2553	0.04
	2557	0.60
	2558	0.09
	2561	0.25
	2562	0.27
	2594	0.02
	2597	1.17
	2599	0.03
	2600	6.91
	2617	0.54
	2620	0.01
	2623	1.54
	2644	0.09
	2645	101.77
	2656	4.65
	2736	0.23
	2738	7.57
	2784	0.13
	2785	0.12
	2786	0.05
	2789	0.08

MOUNT OLIVE CORRECTIONAL COMPLEX

RECONCILIATION

JUNE 30, 2004

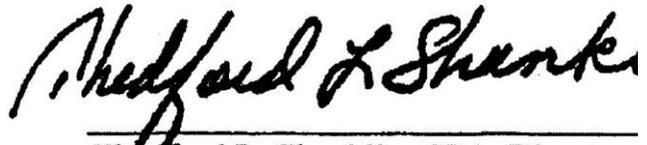
Check No.	2790	0.05
	2791	0.03
	2810	0.14
	2815	0.08
	2816	0.35
	2818	0.10
	2821	7.16
	2822	24.09
	2824	0.01
	2825	2.10
	2826	0.03
	2827	0.62
	2828	0.34
	2829	0.01
	2830	0.67
	2831	0.07
	2832	0.60
	2930	0.04
	2933	0.02
	2935	0.22
	2936	0.06
	2938	0.03
	3096	1.20
	3098	1.80
	3099	<u>1.16</u>
		171.92
Unrecorded Interest Earnings		145.50
Deposits not Recorded on Ledger		498.16
Unresolved Difference		<u>59.39</u>
TOTAL DEDUCTIONS		874.97
Add:		
Bank Recording Errors		<u>13.27</u>
Balance per Book		<u>\$143,403.31</u>

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

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

Given under my hand this 10th day of January 2004.



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

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Mount Olive Correctional Complex; Governor; Attorney General; State Auditor; and, Director of Finance, Department of Administrations.