



REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-47  
June 19, 2000  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2000

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The following problems were discovered as a result of a review conducted by our office of the Department of Corrections, Maryville Treatment Center.**

-----  
*The Maryville Treatment Center which opened in December 1996, is located in northwestern Missouri and is a minimum security treatment facility. The facility occupies 11 acres on the site of the former Mount Alverno convent and school. The facility originally opened with 225 inmate beds. Phase two of the facility was completed during May 1998, and the facility now has a capacity of 525 male inmates who have a history of alcohol and drug abuse. Inmates are expected to follow a rigid and demanding schedule of activities to prepare them for a successful and sober transition to the community.*

In July 1997, the Department of Corrections, Division of Offender Rehabilitative Services entered into a contract with Northwest Missouri State University to provide adult basic education and substance abuse treatment to Maryville Treatment Center inmates. Contract expenditures totaled approximately \$1,375,000 and \$1,112,000 for the fiscal years ended June 30, 1999, and 1998, respectively. Several individuals are employed full-time by the university to provide the education and treatment program services. These individuals work out of office space maintained at the Maryville Treatment Center. The university accumulates the program costs and bills the Maryville Treatment Center monthly. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

A review of the Maryville Treatment Center business office files pertaining to the university invoices for September 1998 and March 1999 revealed that the treatment center staff is approving significant monthly payments (now exceeding \$100,000/month) without obtaining all appropriate supporting documentation. Such approvals were provided even though discrepancies existed between much of the supporting documentation initially obtained and the itemized expenditure entries. The discrepancies were resolved once we obtained the actual invoices and other documentation from the university. Without careful review procedures in place, inappropriate billings and/or errors could occur and go undetected.

The State Auditor's Office recommends that the Maryville Treatment Center work with the university to obtain and/or review all supporting documentation and resolve any questions or discrepancies prior to approving the university invoices for payment.

(over)

YELLOW SHEET

Since October 1995, the Maryville Treatment Center has utilized the same private vendor to provide and service vending machines at the facility. Commissions paid to the treatment center by the vending company did not comply with their agreement and resulted in an underpayment of \$1,873 from October 1995 through September 1999. Although monthly commission statements provided the necessary details to monitor payments, the errors had not been detected by treatment center staff. Once we brought this to their attention, the vending company was contacted and the treatment center subsequently received \$1,873 in additional commissions in December 1999.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER

TABLE OF CONTENTS

		<u>Page</u>
STATE AUDITOR'S REPORT .....		1-3
<u>MANAGEMENT ADVISORY REPORT SECTION</u>		
Summary of Findings .....		5
<u>Number</u>	<u>Description</u>	
1.	Education and Treatment Contract with Northwest Missouri State University .....	6
2.	Vending Machine Commissions .....	7
<u>STATISTICAL SECTION</u>		
History, Organization, and Statistical Information .....		11-15
<u>Appendix</u>		
A	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 1999 and 1998 .....	14
B	Comparative Schedule of Expenditures (from Appropriations) Years Ended June 30, 1999 and 1998 .....	15

STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Mel Carnahan, Governor  
and  
Dora Schriro, Director  
Department of Corrections  
and  
William D. Burgess, III, Superintendent  
Maryville Treatment Center

We have conducted a review of the Department of Corrections, Maryville Treatment Center. The scope of our review included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this review were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the treatment center.

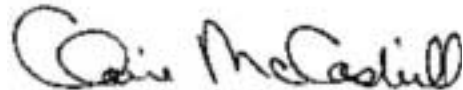
Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the treatment center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed treatment center and other state personnel.

As a part of our review, we assessed the treatment center's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the treatment center's management and the Statewide Accounting for Missouri (SAM) system and was not subjected to the procedures applied in the review of the Department of Corrections, Maryville Treatment Center.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Department of Corrections, Maryville Treatment Center.



Claire McCaskill  
State Auditor

October 28, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Steve Marriott, CPA
Audit Staff:	Renee' Alvarez Christina Brown

MANAGEMENT ADVISORY REPORT SECTION



REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
SUMMARY OF FINDINGS

1. Education and Treatment Contract with Northwest Missouri State University (pages 6-7)

The Maryville Treatment Center approves monthly invoices submitted by the university for payment without obtaining or reviewing sufficient supporting documentation.

2. Vending Machine Commissions (pages 7-9)

Commissions paid to the facility by the vending machine company did not comply with their agreement and resulted in an approximate underpayment of \$1,873 from October 1995 through September 1999. In addition, approximately \$170 is due from the personnel club account to the inmate canteen fund as a result of an incorrect allocation of some vending commissions.

REVIEW OF THE  
DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S RECOMMENDATIONS

**1. Education and Treatment Contract with  
Northwest Missouri State University**

In July 1997, the Department of Corrections (DOC), Division of Offender Rehabilitative Services entered into a contract with Northwest Missouri State University to provide adult basic education and substance abuse treatment to Maryville Treatment Center (MTC) inmates. The original one-year contract contained renewal options for up to four years. The contract services are being provided through an integrated education/treatment correctional community program referred to as treatment, recovery, achievement, integrity, learning, and success (TRAILS). Contract expenditures totaled approximately \$1,375,000 and \$1,112,000 for the fiscal years ended June 30, 1999, and 1998, respectively. There are several individuals employed full-time by the university to provide the TRAILS program services. These individuals work out of office space maintained at the MTC. The university treats the TRAILS program as if it were another department of the university and accumulates the related costs throughout the month. We reviewed the contract terms, monthly billings, and supporting documentation, and noted some concerns.

The contract terms require the university to provide a monthly invoice containing itemized expenditures and appropriate backup documentation. Each month the MTC receives an invoice accompanied by an itemized listing of all program expenses, including a payroll report. No supporting documentation is provided for the non-payroll expense entries such as travel costs (motel, mileage, meals), educational and data processing supplies, postage, telephone, furniture/equipment, publications/books, etc. When the MTC business office receives the university's invoice, one of the employees goes to the TRAILS office (university offices on-site at the MTC) to obtain copies of university purchase orders and/or invoices that are available. For some expenditure items the MTC obtains no documentation to assist in its review and approval process. However, the MTC does not resolve discrepancies between the documentation received and amounts billed or follow-up on those billed items for which no documentation is received. Original invoices, expense reports, and other supporting documentation are filed and retained by the university.

We obtained the MTC business office files pertaining to the university invoices for September 1998 and March 1999, and reviewed the itemized listings of program expenses, payroll report, and other documentation the MTC had obtained. For numerous expense entries, the only support was a university purchase order and we noted many instances where the purchase order did not agree to the amount on the itemized listing. These discrepancies were resolved once we obtained the actual invoice copies from the university. Each month a significant amount is billed for photocopy costs. MTC personnel indicated the university

charges a set fee per copy for copies made at the TRAILS office and at the university copy center. Until October 1999, no reports regarding the copies made and billing calculation were provided to the MTC. As a result of our inquiries, the TRAILS offices recently accumulated copy information from August 1997 to September 1999, and submitted it to the MTC as support for copy costs charged on past billings. No support was available for copies made at the university copy center since such records are only maintained for a short period. During the course of this contract with the university, the MTC has approved payment for photocopy costs totaling approximately \$40,500 without any supporting documentation. While the university's recent report provides support for approximately \$21,800 in photocopy costs for copies made at the TRAILS office, \$18,700 relates to copies apparently made at the university copy center. In addition, each month's billing generally contains an expenditure entry related to supply items purchased at the university store. The TRAILS office prepares a purchase requisition for the necessary supplies and this amount is billed to the MTC. It was necessary to review purchase orders, information regarding items on back order, and actual invoices to determine the amounts billed by the university and approved by the MTC were accurate.

As a result, the MTC is approving significant monthly payments (now exceeding \$100,000/month) without obtaining all appropriate supporting documentation or resolving discrepancies between the supporting documentation that was obtained and the itemized expenditure entries. A careful review of supporting documentation (invoices, expense reports, university copy records, etc) is necessary to substantiate the validity, propriety, and reasonableness of amounts claimed by the university for monthly program expenses. Without such procedures in place, inappropriate billings and/or errors could occur and go undetected.

**WE RECOMMEND** the MTC work with the university to obtain and/or review all supporting documentation and resolve any questions or discrepancies prior to approving the university invoices for payment.

**AUDITEE'S RESPONSE**

*The Maryville Treatment Center's administration is in agreement that supporting documentation for all TRAILS Program expenditures is necessary prior to approval being granted for payment. Effective beginning with the July 2000 billing, the Maryville Treatment Center's administration will require that billings from Northwest Missouri State University include copies of all purchase orders and their corresponding invoices. Supporting documentation shall be required prior to processing and approving payment by the Maryville Treatment Center.*

<b>2. Vending Machine Commissions</b>
---------------------------------------

Since October 1995, the MTC has utilized the same private vendor to provide and service vending machines at the facility. Each month the vendor provides a commissions statement and remits two checks (one payable to the facility's personnel club account and one payable

to the inmate canteen fund) to the MTC. The vending company's February 1997 bid proposal on file at the MTC indicates the vendor is to remit commissions based on a percentage of total gross sales. Vending machine commissions paid to the MTC from October 1995 through September 1999 totaled approximately \$22,552. Our review of the vending arrangement at the MTC and compliance with related departmental policy determined some concerns.

The above mentioned bid proposal indicates that the MTC will receive commissions monthly at a rate of 28.5 percent on total gross sales of all products vended. Both the MTC and vendor personnel indicated the commission percentage has been the same since October 1995. We reviewed commissions from October 1995 through September 1999 and noted that the vendor was not remitting the proper amounts. With the exception of one vending machine for a six month period, commissions were being paid at 28 percent rather than the agreed upon 28.5 percent. It was also noted that the vendor was not paying any commissions on a sandwich machine since its placement in the visitation area in July 1998. After we brought this matter to the MTC's attention, the MTC contacted the vendor and subsequently received \$1,873 in commissions in December 1999. We reviewed the vendor's recalculations for the period October 1995 through September 1999, and it appears the total amount now paid to the MTC for past commission errors is materially correct.

The Department of Corrections Procedure No. D4-4.4, Section III. C. provides that in all institutions the income from vending machines located in areas accessible to both staff and offenders or the public are to be allocated 40 percent to an authorized employee organization or activity and 60 percent to the inmate canteen fund, while all income from vending machines located in institutional areas accessible to employees only may be retained by the authorized employee organization or for an authorized activity. The MTC relies upon the vendor to determine this allocation of commissions between employee and inmate funds. Our review revealed errors in the vendor's allocations. For fifteen months within the period of our review, the commissions from some machines in areas accessible to both staff and offenders or the public (visitation areas) were not designated on the statement by the vendor and the entire commission was paid to the personnel club fund in error, rather than prorated between personnel and inmate funds. As discussed above, while the vendor's total payment to the MTC for past commission errors was corrected in December 1999, a combination of errors in the allocation between employee and inmate funds since January 1997 (when inmate machines were installed) and in the vendor's December 1999 payments for past commission errors, results in approximately \$170 due from the personnel club funds to the inmate canteen fund as of September 1999.

None of the errors noted above had been detected by the MTC business office, although monthly commission statements provided the necessary details to monitor commissions and allocations. In addition to not adequately reviewing the vendor's monthly commission statements, the MTC also has no procedures in place to verify reported sales on which commissions are based. Thorough reviews are necessary to ensure the propriety of commissions received and compliance with bid proposal terms.

**WE RECOMMEND** the MTC establish procedures to verify the reported sales, implement a review procedure that will ensure compliance with contract terms, check the accuracy of commission statements and amounts remitted, and ensure allocations between funds are correct.

**AUDITEE'S RESPONSE**

*Following a review of this finding, the Maryville Treatment Center's administration is in agreement with the State Auditor's recommendation. In March 1997, the Maryville Treatment Center's Business Office accepted a written bid proposal for vending services. Since the audit was conducted at the Maryville Treatment Center, the Business Office has obtained monthly documentation from the vendor. This documentation now enables the Business Office to accurately calculate the 28.5% commission to be distributed to the Employee Personnel Club and Inmate Canteen funds. Presently, Business Office personnel review commission printouts prepared by the vendor to ensure the accuracy of the monies distributed to each of the two funds. On December 22, 1999, the vendor paid \$1,872.90 of the reported approximate \$1,873 underpayment due the Maryville Treatment Center. The \$170 due to the Inmate Canteen fund from the Personnel Club was paid on April 26, 2000.*

This report is intended for the information of the management of the Maryville Treatment Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

DEPARTMENT OF CORRECTIONS  
MARYVILLE TREATMENT CENTER  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Maryville Treatment Center (MTC), which opened in December 1996, is located in northwestern Missouri and is a minimum security treatment facility. The facility occupies 11 acres on the site of the former Mount Alverno convent and school. The facility originally opened with 225 inmate beds. Phase two of the facility was completed during May 1998, and the facility now has a capacity of 525 male inmates who have a history of alcohol and drug abuse. Inmates are expected to follow a rigid and demanding schedule of activities to prepare them for a successful and sober transition to the community.

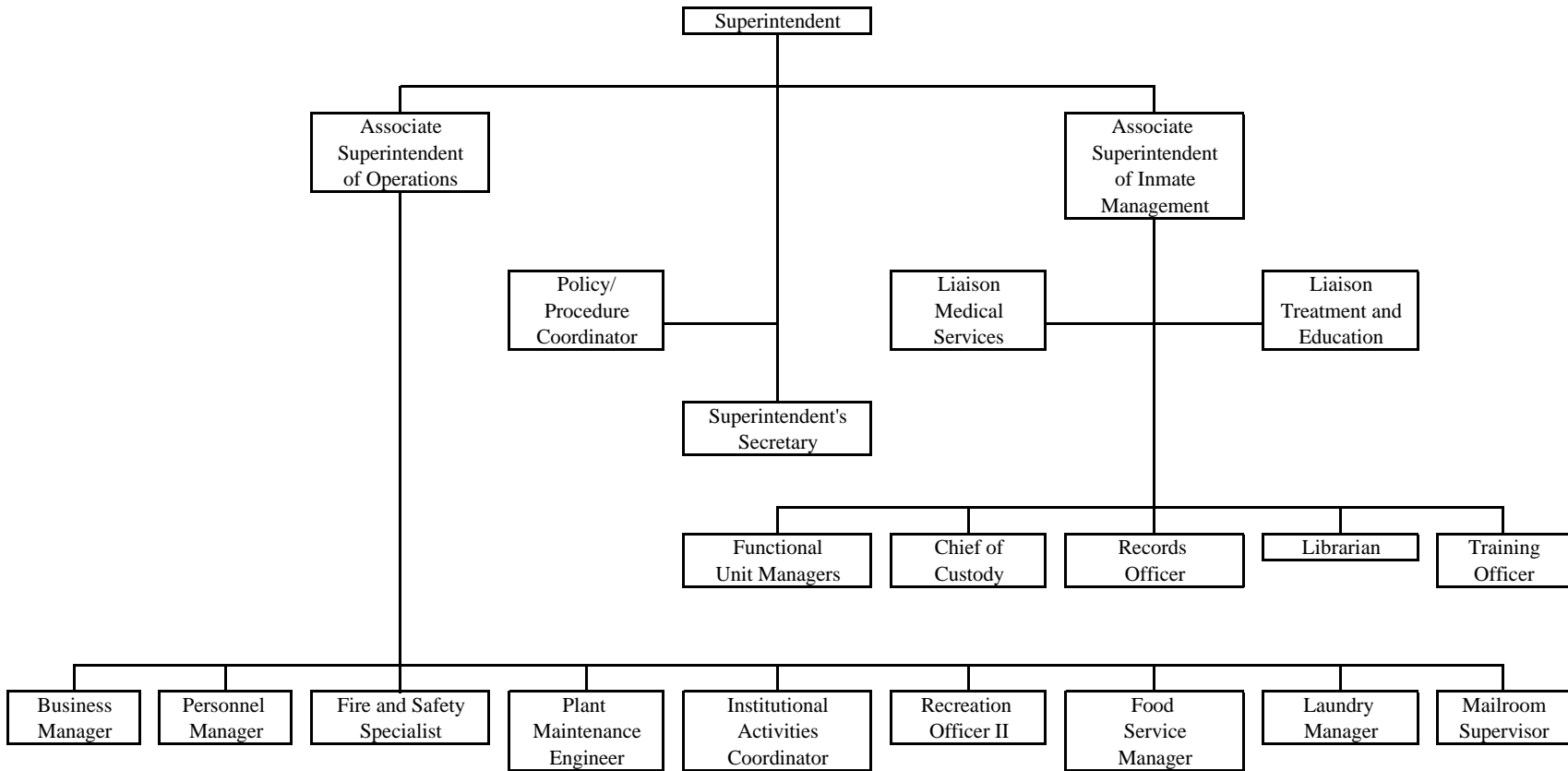
The administration of the MTC consists of one superintendent and two associate superintendents. The associate superintendent of operations is responsible for inmate food services, recreation, institutional activities, facilities maintenance, fire and safety, and laundry, as well as the operation of the business office, mailroom, and personnel office. The associate superintendent of inmate management is responsible for inmate custody and classification and acts as a liaison between the Department of Corrections and Northwest Missouri State University personnel working at the facility.

The Department of Corrections has entered into an inter-agency agreement with the Northwest Missouri State University. Through this agreement the university provides adult basic education and drug and alcohol treatment to the facility's 525 inmates. This treatment program is overseen by an oversight committee which is composed of university personnel from the psychology, sociology, and criminal justice departments, and has received a provisional certification from the Department of Mental Health, Division of Alcohol and Drug Abuse. The adult basic education program is operated in cooperation with the Maryville School District, and is certified by the Department of Elementary and Secondary Education.

The MTC employed approximately 247 employees assigned to various administrative, service, and security functions as of June 30, 1999. Northwest Missouri State University had approximately 37 employees assigned to the education and treatment functions at the facility as of June 30, 1999. William Burgess serves as the facility superintendent. An organization chart follows.



DEPARTMENT OF CORRECTIONS  
 MARYVILLE TREATMENT CENTER  
 ORGANIZATION CHART  
 JUNE 30, 1999



Appendix A

DEPARTMENT OF CORRECTIONS  
 MARYVILLE TREATMENT CENTER  
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

		Year Ended June 30,					
		1999			1998		
		Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE							
Personal Service	\$	3,988,915	3,725,035	263,880	1,958,062	1,919,825	38,237
Expense and Equipment		313,373	286,316	27,057	0	0	0
Total General Revenue Fur	\$	<u>4,302,288</u>	<u>4,011,351</u>	<u>290,937</u>	<u>1,958,062</u>	<u>1,919,825</u>	<u>38,237</u>

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. This does not represent all expenditures of the facility. Some expenditures relating to individual facilities are charged to department-wide appropriations and not identified by facility (including some purchases of food inventory, computer equipment, and paper products). Expenditures charged to department-wide appropriations that are identified to MTC are noted in Appendix B.

Appendix B

DEPARTMENT OF CORRECTIONS  
 MARYVILLE TREATMENT CENTER  
 COMPARATIVE SCHEDULE OF EXPENDITURES (FROM APPROPRIATIONS) (See Note)

	Year Ended June 30,			
	1999		1998	
	Expenditures From Facility Appropriations	Expenditures From Department-wide Appropriations for MTC	Expenditures From Facility Appropriations	Expenditures From Department-wide Appropriations for MTC
Salaries for permanent employees	\$ 3,722,403	1,790,876	1,919,825	2,006,797
Wages for temporary employees	2,632	6,125	0	6,076
Travel and vehicle expense	17,508	16,743	0	21,036
Office expense	9,196	33,789	0	47,132
Office and communication equipment purchase	0	1,393	0	111,870
Communication expense	11,994	9,139	0	55,006
Institution and physical plant expense	212,319	106,117	0	443,009
Institution and physical plant purchase	23,292	12,029	0	205,443
Data processing expense and equipment	4,319	952	0	859,659
Professional services	5,748	1,372,274	0	1,111,632
Other expense	1,940	10,095	0	34,470
Total Expenditures	\$ <u>4,011,351</u>	<u>3,359,532</u>	<u>1,919,825</u>	<u>4,902,130</u>

Note: Not included in this schedule are expenditures paid from department-wide appropriations that do not specify amounts by facility.

\* \* \* \* \*