



**DEPARTMENT OF CORRECTIONS  
NORTHEAST CORRECTIONAL CENTER**

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

**Report No. 2004-30  
April 30, 2004  
[www.auditor.mo.gov](http://www.auditor.mo.gov)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

April 2004

**The following problems were discovered as a result of an audit conducted by our office of the Department of Corrections, Northeast Correctional Center.**

---

*The Northeast Correctional Center (NECC) opened in 1998. The facility is located on 92 acres in Bowling Green, Missouri and is a high-medium security facility. As of June 30, 2003, this facility housed 1,954 offenders.*

The NECC receives money from photo sales, dry cleaning, and vendor refunds, which are transmitted to Jefferson City for deposit. Our review of cash procedures noted the number of photo tickets sold is not reconciled to the actual dollars collected. Checks are not restrictedly endorsed immediately upon receipt, and the duties of receiving, recording, and transmitting receipts are not adequately segregated. Additionally, the stamp fund is not maintained at a constant, predetermined balance and the state purchased postage meter is not always being used solely for state business.

The Department of Corrections (DOC) contracts with the St. Charles Community College (SCCC) to provide educational services at NECC. Contract expenditures totaled approximately \$596,000 for the year ended June 30, 2003. Costs associated with the program are accumulated by the college's business office throughout the month and are billed directly to the DOC-Central Office. A careful review of supporting documentation is necessary to substantiate the validity, propriety, and reasonableness of amounts billed by the college for monthly program expense. Because NECC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the facility level prior to submitting the billings to DOC-Central Office for payment.

NECC operates a canteen with commissions to be used for recreational, religious, and education services that benefit the offenders. Our review noted that canteen commissions are being spent in areas other than those listed by state law.

NECC appears to be underutilizing their state-owned vehicles. Thirteen of the 32 state owned vehicles were driven less than 15,000 miles during the year ended June 30, 2003, and six of these vehicles were driven less than 5,000 miles during this time period. Low mileage can often indicate that a facility has too many vehicles or is not using them efficiently.

The NECC has already implemented all of the State Auditor's recommendations.

**All reports are available on our website: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

YELLOW SHEET

DEPARTMENT OF CORRECTIONS  
NORTHEAST CORRECTIONAL CENTER

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-10

<u>Number</u>	<u>Description</u>	
1.	Cash Procedures .....	5
2.	Educational Services .....	7
3.	Food Inventories .....	8
4.	Canteen Procedures .....	9
5.	State-Owned Vehicles.....	10

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	11-15
---	-------

Appendix

A	Comparative Statement of Appropriations and Expenditures Years Ended June 30, 2003 and 2002 .....	14
B	Comparative Statement of Expenditures (From Appropriations) Years Ended June 30, 2003 and 2002 .....	15

STATE AUDITOR'S REPORT



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

Honorable Bob Holden, Governor  
and  
Gary B. Kempker, Director  
Department of Corrections  
and  
Jim Moore, Superintendent  
Northeast Correctional Center  
Bowling Green, MO 63334

We have audited the Department of Corrections, Northeast Correctional Center. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2003 and 2002. The objectives of this audit were to:

1. Review institutional compliance with certain legal provisions, regulations, and departmental policies.
2. Review the efficiency and the effectiveness of certain management practices and operations.
3. Review certain revenues received and certain expenditures made by the correctional center.

Our methodology to accomplish these objectives included reviewing the correctional center's revenues, expenditures, contracts, applicable legal provisions, rules, regulations, and policies, and other pertinent procedures and documents; interviewing various personnel of the correctional center and other state personnel; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of

noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the correctional center's management and was not subjected to the procedures applied in the audit of the Department of Corrections, Northeast Correctional Center.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Corrections, Northeast Correctional Center.



Claire McCaskill  
State Auditor

December 9, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA  
Audit Manager: Debra S. Lewis, CPA  
Audit Staff: Chris Vetter  
Kate Petschonek

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

DEPARTMENT OF CORRECTIONS  
NORTHEAST CORRECTIONAL CENTER  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Cash Procedures</b>
-----------	------------------------

The Northeast Correctional Center (NECC) receives money from photo sales, dry cleaning, and vendor refunds, which are then transmitted to the applicable agency in Jefferson City for deposit. The NECC also maintains a stamp fund which allows employees to purchase stamps at the facility. Our review of cash procedures noted the following concerns:

- A. The number of photo tickets sold is not reconciled to the actual dollars collected. Visitors can purchase a ticket from the photo machine that they present to the photographer to have a picture taken. The photo machine is emptied every Thursday by the business manager and the monies are transmitted to Jefferson City for deposit. The monies emptied from the machine are not reconciled to the number of tickets sold. To ensure all amounts are properly accounted for, photo tickets sold should be reconciled to the amounts collected from the machine and to amounts transmitted.
- B. Checks received are not restrictively endorsed by the business office immediately upon receipt. Instead, checks are restrictively endorsed prior to transmittal to the Department of Corrections (DOC) - Central Office on Mondays, Wednesdays, and/or Fridays. To reduce the risk of loss, theft, or misuse of funds, checks should be restrictively endorsed when received.
- C. The duties of receiving, recording, and transmitting receipts are not adequately segregated and there is no indication that a supervisory review of the accounting records is conducted. One person is responsible for receipting the monies and also transmitting those monies to Jefferson City. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurances that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and transmitting monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum there should be a supervisory review of reconciliations between receipt records and transmittals to the DOC - Central Office.
- D. The stamp fund is not maintained at a constant, predetermined balance. In addition, the state purchased postage meter is not always being used solely for state business.



NECC maintains a stamp fund that is used for the benefit of employees. However, this fund is not being maintained on an imprest basis, meaning the fund should be maintained at a constant balance, and the cash on hand plus the value of all stamps on hand should always equal a predetermined balance. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to help prevent these monies from being misused.

In addition, the state purchased postage meter is sometimes used for employees' personal business instead of the employees' buying stamps from the stamp fund. The postage meter was recently used for sending care packages to employees currently serving in the military overseas. The employees paid for their usage; however, these monies were placed in the stamp fund. We found no indication these monies were deposited back into General Revenue Fund which pays for the meter postage.

**WE RECOMMEND** the NECC:

- A. Ensure photo tickets purchased are reconciled to actual monies collected.
- B. Require all checks be restrictively endorsed immediately upon receipt.
- C. Adequately segregate the duties of receiving, recording, and transmitting monies. At a minimum, there should be a documented supervisory review of reconciliations between receipts and transmittals.
- D. Maintain the stamp fund on an imprest basis and establish procedures for periodic independent reviews and reconciliations of the balance. In addition, the NECC should ensure that the postage meter is used solely for state business and that any reimbursements received are deposited into the General Revenue Fund.

**AUDITEE'S RESPONSE**

- A. *Northeast Correctional Center will be implementing a procedure for the photo-ticket machines where the tickets will be numbered and a count of tickets sold can be determined. The beginning and ending numbers for each week will be recorded on a form that will be maintained in the picture machine. The difference will be multiplied by \$2.00 (cost of ticket) to determine how much should be in the machine. This will be done for each machine. The coins will then be taken to the bank and counted by their coin-sorting machine. A receipt will be obtained from bank personnel to document total of currency. The money will be returned to the institution as paper currency. A second employee will count the money again and the amount will be verified with the receipt total. This money will be recorded using current procedures and a transmittal will be prepared for the cash to be sent to Inmate Banking. Inmate Banking will then deposit the money to the canteen fund. Implementation of this plan occurred on March 15, 2004.*

- B. *The restrictive endorsement of all checks for deposit to the Department of Corrections' General Revenue or Inmate Canteen Fund was implemented per verbal recommendation from auditors. Implemented prior to the completion of audit fieldwork.*
- C. *All checks and cash received are entered in a journal. The transmittal is prepared by one of the account clerks and is reviewed and initialed by the other account clerk or the Business Manager prior to being sent to Central Office. The runner signs for the transmittal when he picks it up for delivery. Receiving Central Office personnel also signs for the transmittal. When a copy of the transmittal is returned to the facility, Business Office personnel will verify that checks and cash are deposited to the appropriate account. The Business Manager will periodically review the receipts and transmittals, initialing all receipts and transmittals reviewed. Implementation of this plan occurred on March 15, 2004.*
- D. *Money from the stamp fund was returned to General Revenue Fund and all money owed for shipping packages was repaid. NECC continues to maintain a stamp fund for the convenience of staff, funded by the NECC Personnel Club. The Personnel Club treasurer and the Business Manager keep it at a \$50.00 balance that is reviewed periodically. Implemented prior to the completion of audit fieldwork.*

<b>2. Educational Services</b>
--------------------------------

Billings for educational services are not being reviewed at the facility level. The Department of Corrections contracts with St. Charles Community College (SCCC) to provide educational services at NECC. Contract expenditures totaled approximately \$596,000 for the year ended June 30, 2003. Several individuals are employed full-time by the college to provide these adult basic education services. These individuals work out of classroom space maintained at the NECC. Costs associated with the program are accumulated by the college's business office throughout the month and are billed directly to the DOC – Central Office. NECC personnel indicated they do not see the billings, thus it appears the billings are not being reviewed at the facility level.

A careful review of supporting documentation (invoices, expense reimbursement claims, etc.) is necessary, at least on a periodic basis, to substantiate the validity, propriety, and reasonableness of amounts billed by the college for monthly program expenses. Because NECC personnel are more familiar with the college personnel and services being provided, it appears essential that these detailed comparisons of billings to supporting documentation be performed at the facility level prior to submitting the billings to DOC-Central Office for payment. Without such procedures in place, inappropriate billings and/or errors could occur and go undetected.

**WE RECOMMEND** the NECC work with the college and DOC-Central Office to obtain and/or review, at least on a periodic basis, all supporting documentation for charges billed and resolve any questions or discrepancies prior to payment.

**AUDITEE'S RESPONSE**

*St. Charles Community College personnel at NECC will provide copies of invoices for items ordered to NECC Business Office personnel. Upon receipt of the items ordered, a detailed comparison of billings to supporting documentation will be performed at the facility level prior to submitting the billings to Central Office for payment. The comparison will be jointly completed by NECC and SCCC personnel. After verifying quantities received with billing quantities both will initial and date invoice. Implementation of this plan occurred on April 1, 2004.*

**3.**

**Food Inventories**

Monthly inventory counts are not verified by someone independent of food services. In addition, random counts are not being conducted on a monthly basis. During the year ended June 30, 2003, the NECC served over 2.1 million meals to offenders with food costs of approximately \$1,437,200, and an average cost per meal of \$0.67. The institution maintains perpetual inventory records for the food items maintained.

Food service employees perform the monthly physical counts of food inventories. These employees also have custody of the inventory. We scanned the computer generated inventory summaries for the period January through October 2003 and noted that only five of the ten months had the signature of an employee not regularly assigned to the food service section. In addition, we noted random counts of at least ten items were conducted for only two of the ten months reviewed.

These practices are in violation of the DOC policy IS10-1.15, which states that the physical inventory count must be verified by an institutional employee, designated by the chief administrative officer, who is not assigned to the food service section. In addition, the policy states that the associate superintendent of operations/designee will perform regular random counts of at least ten items once a month. An independent verification and random counts enhances the controls over the food inventories.

**WE RECOMMEND** the NECC ensure monthly inventory counts are verified by someone not assigned to food services. In addition, random counts should be conducted on a monthly basis, as required.

## **AUDITEE'S RESPONSE**

*Northeast Correctional Center will assign non-food service staff to verify the food inventory each month. Monthly random counts will be conducted each month at the direction of the Associate Superintendent of Operations. Implementation of this plan occurred in March 2004.*

### **4. Canteen Procedures**

NECC operates a canteen for the offenders' benefit. The canteen stocks and sells numerous products such as soda, tobacco products, snack foods, radios, and televisions. Goods sold in the canteen are marked up 25 percent over cost and the commissions are to be used for recreational, religious, and educational services that benefit the offenders. Monthly inventories of items in stock are conducted. Our review of the canteen noted the following concerns:

- A. Perpetual inventory records do not adequately document adjustments made in the inventory balances and, as a result, perpetual inventory records are not always accurate. We noted several instances where an inventory adjustment was made to reduce the balance with no explanation of why the adjustment was made. Accurate and complete inventory records are necessary to properly account for and safeguard the inventories.
- B. Canteen commissions are being spent in areas other than those listed by state law. According to Section 217.195.2, RSMo 2000, profits from correctional center canteens are to be used "for the benefit of the offenders in the improvement of recreational, religious, or educational services". However, the Canteen Committee's meeting minutes indicate that expenditures were approved for washing machine repairs, irons, ironing boards, and microwaves which do not appear to comply with state law. NECC personnel stated that the statute has been interpreted to allow the commissions to be spent in any areas that benefit the offenders.

**WE RECOMMEND** the NECC:

- A. Maintain complete and accurate inventory records and document why changes are made to the inventory balances.
- B. Ensure canteen commissions only be used for recreational, religious, and educational expenditures, in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *Canteen staff have been instructed to make a notation of the reason for any inventory adjustments. A new POS-based inventory system is being developed, which should increase the accuracy and usefulness of inventory information. Implementation of this plan occurred March 15, 2004.*
- B. *The department concurs and will discontinue expenditures other than those for educational, religious, and recreational purposes.*

<b>5. State-Owned Vehicles</b>
--------------------------------

NECC appears to be underutilizing their state-owned vehicles. The NECC has 32 state-owned vehicles that are primarily used to transport clients, to patrol the facility grounds, and for employee travel. Thirteen of the 32 (41 percent) state-owned vehicles were driven less than 15,000 miles during the year ended June 30, 2003, and six of these vehicles were driven less than 5,000 miles during this time period. Low mileage can often indicate that a facility has too many vehicles or is not using them efficiently. Based on this underutilization, it appears the NECC management should consider reducing the size of its vehicle fleet.

**WE RECOMMEND** the NECC evaluate the need for each vehicle and ensure each vehicle is effectively utilized.

**AUDITEE'S RESPONSE**

*Prior to the conclusion of the audit, the Departmental fleet coordinator evaluated the fleet at NECC. Most of the vehicles with low mileage were determined to be special-use vehicles. The ones that were not have been moved into more regular fleet use.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

DEPARTMENT OF CORRECTIONS  
NORTHEAST CORRECTIONAL CENTER  
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Northeast Correctional Center (NECC) is located in Bowling Green. First opened in 1998, NECC is a high-medium security institution housing male offenders and consisting of 9 housing units designed to accommodate 200 male offenders each, a multi-purpose building, an offender segregation building designed to accommodate 163 offenders, a medical unit plus infirmary, two gymnasiums, a vocational department teaching computer repair skills, a vocational office systems factory, a comprehensive juvenile housing and programming department designed to accommodate 12 offenders, a garage, a power plant, maintenance department, and administrative offices. On June 30, 2003, the NECC housed 1,954 offenders.

The administrative building contains the administrative offices and offender visiting areas. The central services building, which is over 800 feet in length, houses the medical unit plus infirmary, food service area, chapel, library, academic school, warehouse, laundry, manufacturing industries area, and the vocational education computer repair program.

NECC offers a G.E.D. program and a vo-tech computer repair program called "Computers for Schools" for offenders. Contract staff from St. Charles Community College manages the education and vo-tech departments. The education area is comprised of eight classrooms and three testing rooms. Each teacher is certified in Adult Basic Education and is assisted by an offender tutor. Offenders are required to complete their G.E.D. in order to be eligible for parole or premium job assignments. The Computers for Schools is a hands on training program that teaches the offenders how to clean and refurbish a personal computer and how to use current software programs.

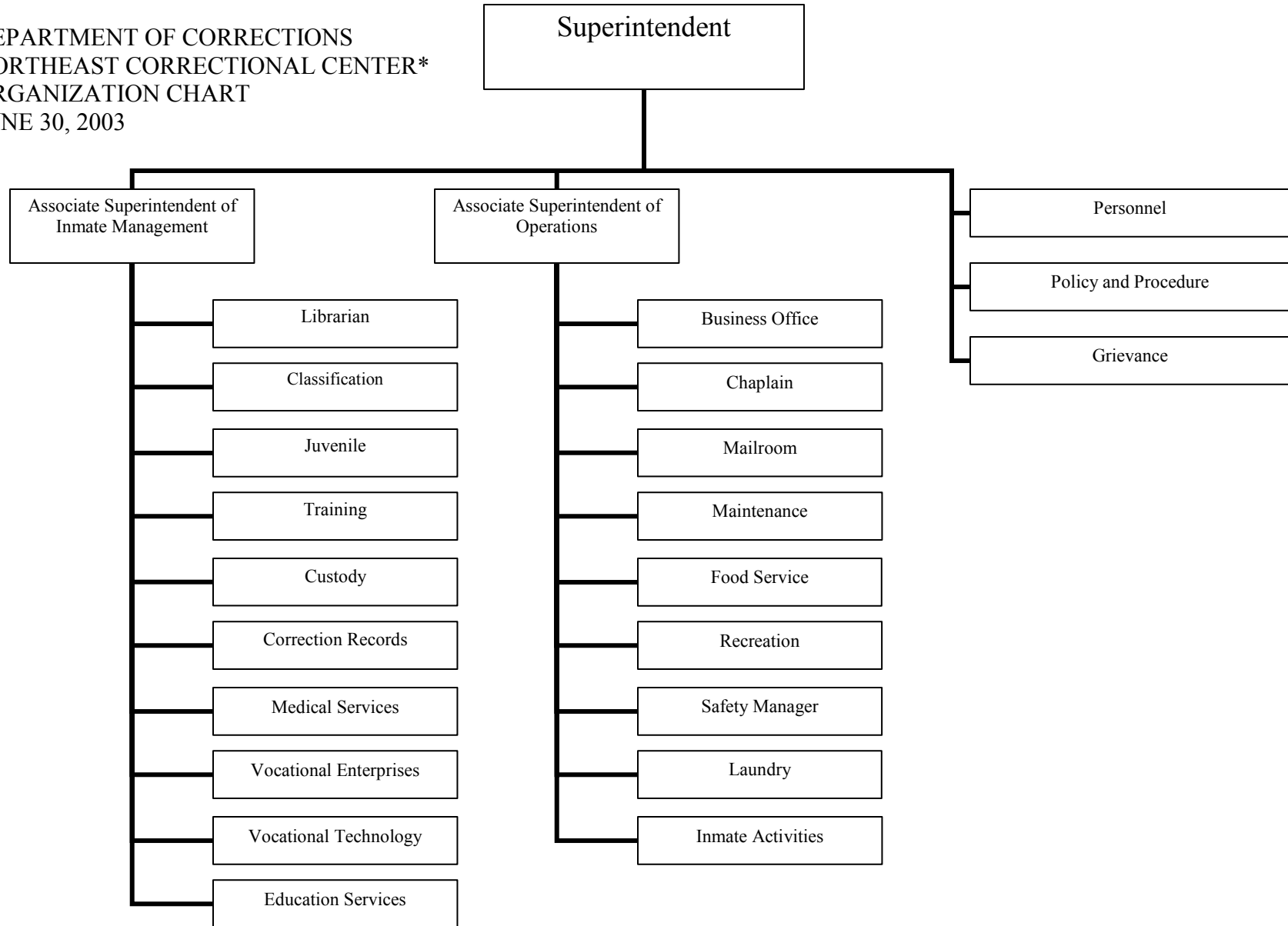
NECC has authorized a maximum of 100 volunteers to assist with operating its volunteer programs. Volunteers provide services in recreation, religion, treatment, and education. Among the volunteer services provided are sign language classes, Cage Your Rage, and Long Distance Dads. Volunteers also sponsor offender organizations such as Alcoholics Anonymous, Narcotics Anonymous, NAACP, and Vietnam Veterans.

The perimeter is secured by three, 12 foot-high fences. The inner fence has an electronic motion detection system and is topped with razor sharp barbed wire, the middle fence is electric, and the outer fence is rowed with razor sharp barbed wire every four feet. The facility is surrounded by a private asphalt road that is used by a constantly roving vehicular patrol for additional security. The facility is situated on 92 acres.

Jim Moore has served as the facility superintendent since May 2003.

An organization chart and financial data follow:

DEPARTMENT OF CORRECTIONS  
 NORTHEAST CORRECTIONAL CENTER\*  
 ORGANIZATION CHART  
 JUNE 30, 2003



\* Only personnel at the management level are included on this organization chart. There are numerous staff within each department.



Appendix A

DEPARTMENT OF CORRECTIONS  
 NORTHEAST CORRECTIONAL CENTER  
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

	Year Ended June 30,					
	2003			2002		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Personal Service	\$ 14,133,375	13,278,181	855,194	14,659,318	13,285,619	1,373,699
Total General Revenue Fund	\$ 14,133,375	13,278,181	855,194	14,659,318	13,285,619	1,373,699

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 state facilities are charged to department-wide appropriations and not identified by facility. Expenditures charged to the department-wide appropriations that are identified to Northeast Correctional Center are noted in Appendix B.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2003	2002
Personal Service	\$ 843,390	1,351,780
Total	\$ 843,390	1,351,780

Appendix B

DEPARTMENT OF CORRECTIONS  
 NORTHEAST CORRECTIONAL CENTER  
 COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,			
	2003		2002	
	Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For NECC	Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For NECC
Salaries & Wages	\$ 13,278,181	547,164	13,285,619	400,859
Travel, In-State	0	13,273	0	13,802
Fuel & Utilities	0	1,358,557	0	1,429,795
Supplies	0	1,501,575	0	1,401,625
Professional Development	0	289	0	12,472
Communication Service & Supplies	0	31,719	0	38,359
Professional Services	0	622,056	0	869,520
Housekeeping & Janitor Services	0	63,439	0	85,943
Maintenance & Repair (M&R) Services	0	189,246	0	178,732
Computer Equipment	0	7,922	0	84,609
Motorized Equipment	0	0	0	1,671
Office Equipment	0	21,103	0	36,795
Other Equipment	0	68,283	0	83,791
Property & Improvements	0	0	0	1,051
Equipment Rental & Leases	0	8,330	0	1,734
Miscellaneous Expenses	0	232,266	0	238,140
Total Expenditures	\$ 13,278,181	4,665,222	13,285,619	4,878,898