AUDIT REPORT

DEPARTMENT OF CORRECTIONS
ALGOA CORRECTIONAL CENTER

From The Office Of State Auditor
Claire McCaskill

Report No. 2004-96
December 22, 2004
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Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2004

YELLOW SHEET

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

The Algoa Correctional Center (ACC) opened in 1932. The facility is located on 388 acres in Jefferson City, Missouri, and is a minimum security facility. As of June 30, 2004, this facility housed 1,218 male offenders.

The ACC operates a canteen for the offenders' benefit. Our review noted that canteen committee minutes did not record details of votes cast prior to April 2004. In addition, some committee members were not allowed to vote.

Documentation of monthly food inventory counts is not adequate and random counts are not being performed monthly. In addition, some food service sanitation inspections are not being performed as frequently as policy requires.

Vending machine commissions totaled over $50,000 during the two years ended June 30, 2004. Although the vending contract indicates that commissions are to be computed as a percentage of total gross sales, the ACC has no procedures to ensure that vending machine gross sales are accurate. Additionally, the ACC is not always receiving commission checks within the timeframe required by the vending contract, and the business office did not maintain vending commission statements for 6 of 24 months reviewed.

Proper approval was not documented for some expenditures. Twenty-three percent of the tested expenditures were not supported by a purchase requisition. In addition, we noted that 11 percent of tested expenditures were supported by an unsigned purchase requisition.

The ACC appears to be underutilizing their state-owned vehicles. Five of the 12 vehicles used to transport offenders were driven less than 15,000 miles during the year ended June 30, 2004. One maintenance vehicle, used solely for the removal of snow, was only driven 263 miles and incurred maintenance costs exceeding $2,500 during fiscal year 2004. Additionally, ACC has four vehicles to transport supplies and orders received to the proper location within the facility. These vehicles were driven an average of 4,384 miles during fiscal year 2004. It appears the ACC management should evaluate the use of each vehicle and consider reducing the size of its fleet.

The ACC is working toward or has already implemented many of the report's recommendations.

DEPARTMENT OFCORRECTIONS
ALGOA CORRECTIONAL CENTER

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Gary B. Kempker, Director
Department of Corrections
and
Michael Murphy, Superintendent
Algoa Correctional Center
Jefferson City, MO 65101

We have audited the Department of Corrections, Algoa Correctional Center. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2004 and 2003. The objectives of this audit were to:

1. Review internal controls over significant management and financial functions.

2. Review compliance with certain legal provisions, regulations, policies, and contracts.

3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the correctional center, as well as certain external parties; 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

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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 correctional center.

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

Claire McCaskill
State Auditor

August 5, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

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

1. Canteen Procedures

The Algoa Correctional Center (ACC) operates a canteen for the offenders' benefit. The canteen stocks and sells numerous products such as soda, tobacco products, snack foods, radios, and televisions. Oversight of the offender canteen fund is vested in a ten member canteen committee. The committee is comprised of various ACC personnel, two ACC offenders, and the Department of Corrections (DOC) Offender Finance Officer.

The committee meets quarterly to consider and approve specific purchases for the benefit of offenders. As required by DOC policy D3-9.2, meeting minutes are prepared. However, prior to April 2004, canteen committee minutes did not record details of the votes cast. In addition, some ACC personnel committee members indicated that the offenders on the committee participate in the discussions, but were not allowed to vote. All members of the canteen committee should be allowed to vote on decision items and the official minutes should record details of the votes cast, including the number of votes for approval or denial of all committee decisions.

WE RECOMMEND the ACC ensure that all authorized canteen committee members present at meetings participate in votes taken, and that details of the votes cast be recorded in the meeting minutes.

AUDITEE'S RESPONSE

Effective April 2004, all authorized members of the canteen committee, including the inmates, are voting on the quarterly canteen requests. The results of the votes are included in the meeting minutes.

2. Food Inventories

Documentation of monthly inventory counts is not adequate and random counts are not being performed monthly. In addition, some meals are not properly accounted for, and sanitation inspections are not performed as frequently as policy requires. During the year ended June 30, 2004, the ACC served over 1.4 million meals to offenders with food costs of approximately $1,041,000. Our review of food inventories noted the following concerns:

A. Supporting documentation for monthly physical inventory counts are not properly documented and retained. Food service personnel indicated that monthly physical counts of food inventories are performed, but only the April 2004 count records were available for review. These count records were not recorded on the required form and had no identifying information, such as month and year. Of the two hundred food items listed on the perpetual inventory records, only ninety-three were included in the April 2004 monthly count. In addition, random counts of at least ten items per month are not being conducted.

These practices are in violation of the ACC Standard Operating Procedure (SOP) 10-1.15, which requires that a physical inventory count of all food items be taken on the last working day of the month and documented on the expendable inventory summary or on a computer generated form containing the same information. Furthermore, the associate superintendent of operations or their designee is required to perform regular random counts of at least ten items once a month. Properly documenting the physical inventory counts and retaining supporting documentation is necessary to ensure perpetual inventory records are accurate and complete. In addition, random counts enhance the controls over the food inventories.

B. Some food service sanitation inspections are not being performed as frequently as required. The ACC SOP 10-1.7 requires weekly and random inspections of the food service, commissary, dining room, kitchen, pot and pan, food preparation, and dishwashing areas be performed by the fire and safety specialist. From January 2003 through May 2004, only 28 percent (20 out of 73) of the required weekly inspections had been performed. Performing sanitary inspections as required by policy helps ensure that areas are clean and free of disease, and demonstrates compliance with any applicable food and sanitation codes.

WE RECOMMEND the ACC:

A. Properly document and retain the monthly physical inventory counts of all food items. In addition, the ACC needs to ensure that the superintendent of operations/designee performs regular random counts of at least ten food items.

B. Perform food service sanitation inspections as required by policy.

AUDITEE'S RESPONSE

A. Since July 2004, the associate superintendent of operations/designee has been performing the random count of ten food items. Since August 2004, the food service storekeeper is maintaining the working count sheets of the monthly inventory with the compiled monthly inventory report.

B. *The safety manager has been given a written directive dated November 30, 2004, that weekly food service sanitation inspections will be submitted no later than Friday of each week.*

3. Vending Machine Services

The ACC performs no procedures to ensure proper vending commissions are paid by the vendor and is not receiving commission checks timely. The ACC utilizes a private vendor to provide and service vending machines at the facility. The vendor provides a monthly commission statement and separate payments to the facility's personnel club and the inmate canteen fund. The commissions are used by the facility to support approved personnel activities and for inmate benefits.

Vending machine commissions totaled over $50,000 during the two years ended June 30, 2004. We noted some concerns related to the vending machine commissions:

A. The vending contract indicates that commissions are to be computed as a percentage of total gross sales. However, the ACC has no procedures to ensure that vending machine gross sales are accurate. The commission statement submitted by the vendor indicates gross sales, the commission rate, the commission amount due, and the beginning and ending meter readings (for currency and coin). The meters count the money that is deposited into the machine, but do not take into account change returned or the amount of currency left in the machine to provide change. As a result, gross sales cannot be reconciled exactly to meter readings. However, the business office should develop a procedure to evaluate the reasonableness of gross sales as compared to meter readings, and make inquiries of the vendor when unusual fluctuations are noted.

B. The ACC is not always receiving commission checks within the timeframe required by the vending contract. The contract requires commission checks to be sent to the facility within 15 calendar days after the conclusion of the previous monthly period. We noted for the periods ending February 4, 2004, January 7, 2004, and December 10, 2003, that commission checks were not received within 15 calendar days. Rather, it took the vendor from 44 to 76 calendar days to issue the checks to the business office. The business office needs to ensure that the checks are received within the required timeframes, so that they can review and resolve any issues timely and maximize their revenues. In addition, the business office did not maintain vending commission statements for 6 out of the 24 months reviewed. Retention of records is essential to establishing accountability and documenting a review for compliance with contract terms.

WE RECOMMEND the ACC:

A. More closely evaluate vending commission statement information to ensure that vending machine gross sales are accurate.

B. Ensure that commission statements and checks are received within the required timeframe, and retain all of the monthly commission statements.

AUDITEE'S RESPONSE

A. Monthly totals on the commission statements will be verified for accuracy and appropriate commission percentage computations. Spreadsheets will be developed for monthly comparisons of gross sales. If notable differences in gross sales occur, the business manager will contact the vending company to determine the cause for the difference.

B. The calendar will be marked for monthly verification that statements and checks have been received. The business office has maintained the monthly commission statements since November 2004.

4. Expenditures Approval

Proper approval was not documented for some expenditures. Fourteen of 60 expenditures tested were not supported by a purchase requisition. Examples of these expenditures included purchases of food, propane, cleaning supplies, digital cameras, mowers, and hazardous waste removal services. In addition, we noted that 7 of 60 expenditures were supported by a purchase requisition, but the purchase requisition did not include any approval signature. The DOC's procedures for procurement authority require that a signed purchase requisition form be prepared and maintained for all purchases. Failure to prepare purchase requisitions and document purchase approval limits the facility's ability to monitor and ensure that all expenditures have been approved and are proper.

WE RECOMMEND the ACC ensure purchase requisitions are prepared and approved prior to the purchase of goods and services.

AUDITEE'S RESPONSE

Since the beginning of fiscal year 2005, all purchases require a purchase request with appropriate signatures prior to the business manager purchasing the goods or services.

5.	State Vehicles

Some state-owned vehicles appear to be underutilized. As of June 30, 2004, the ACC had 24 state-owned vehicles used for the various purposes, including transportation of offenders (12 vehicles), maintenance and movement of supplies/equipment on facility grounds (8 vehicles), patrolling the grounds (2 vehicles), employee travel to training and meetings (1 vehicle), and mail runs (1 vehicle). Examples of possible vehicle underutilization noted were:

- Several vehicles are available to transport offenders to and from work release programs, doctor visits, court appearances, and other facilities. Of these twelve vehicles, 2 are buses and 2 were put into service by the facility in June 2004. Of the remaining eight vehicles, five were driven less than 15,000 miles during fiscal year 2004, averaging 7,008 miles per vehicle. The Office of Administration's (OA) vehicle guidelines, Policy SP-4, provides that pool vehicles should average at least 15,000 miles per year. The ACC should review usage of pool vehicles and dispose of underutilized vehicles to ensure that state resources are efficiently used and that vehicle usage complies with the state policy.

- One of the maintenance vehicles is used solely for the removal of snow within and around the facility. This vehicle was only driven 263 miles and incurred maintenance costs exceeding $2,500 during fiscal year 2004. The ACC needs to reconsider the need for this vehicle or determine whether using it for other purposes might be appropriate.

- ACC has 4 vehicles that are used to transport supplies and orders received by the business office to the proper location within the facility. During fiscal year 2004, these vehicles were driven an average of 4,384 miles. The ACC should reevaluate the need for some of these vehicles and determine if the same tasks could be accomplished with fewer vehicles.

It appears the ACC management should evaluate the use of each vehicle and consider reducing the size of its fleet.

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

AUDITEE'S RESPONSE

Many of the vehicles reflect low mileage but have daily use as most trips are of short mileage duration. Per Policy SP-4, a monthly justification is now provided to the DOC fleet manager on vehicles which are below the monthly mileage usage.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

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

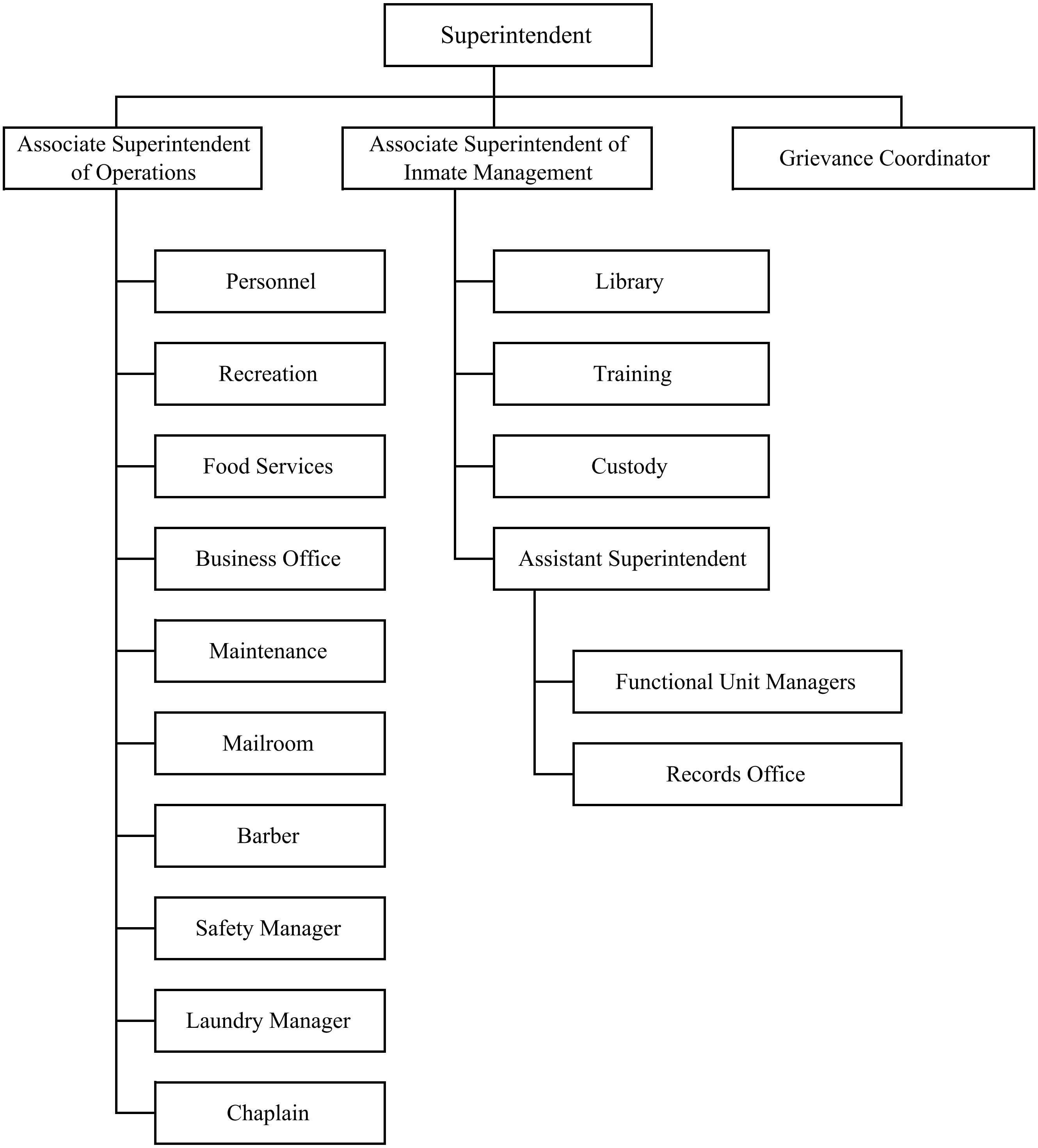
The Algoa Correctional Center (ACC) first opened in 1932. The facility is located on 388 acres approximately six miles east of Jefferson City. This minimum security institution housed 1,218 male offenders at June 30, 2004. The perimeter of the facility is secured by a 12 foot-high fence that is topped with razor sharp barbed wire. The fence is equipped with electronic motion detection system. For additional security the perimeter of the facility is patrolled by an armed vehicular patrol on a 24-hour basis. The institution is made up of 11 housing units that can accommodate up to 1,565 male offenders, an offender segregation building, a power plant, maintenance department, administrative offices, a multi-purpose building, a garage, a recreational building, food services building, education building, and an offender canteen building.

The ACC conducts its own educational and vocational programs. During fiscal year 2004, 155 offender students took the GED test and 135 passed. During this same time, 1,304 offenders were enrolled in classes at ACC. The vocational program consists of 4 different areas: building trades, automotive repair, dry cleaning, and culinary arts. The Automotive Repair program, which is offered to 20 offenders and lasts a year, allows offenders to work on ACC employee and fleet vehicles. The Building Trades program, which is offered to 20 offenders and lasts six months, allows offenders to build items from wood. These items are made on an as needed basis and are purchased by state agencies and correctional employees. The Culinary Arts program, which is offered to 20 offenders and lasts six months, assists offenders in obtaining skills and education in the restaurant industry. At the end of the class, offenders are eligible to take the ServSafe Certification exam given by the National Restaurant Association. During fiscal year 2004, 31 offenders took the ServSafe Certification exam and 30 passed. The Dry Cleaning program, which is offered to 35 offenders, allows offenders to perform dry cleaning services for all state employees.

Michael Murphy has served as the facility superintendent since June 2000. The ACC employed approximately 376 employees assigned to various administrative, service, security, and academic and vocational education functions as of June 30, 2004.

An organization chart and financial data follow:

DEPARTMENT OF CORRECTIONS
ALGOA CORRECTIONAL CENTER
ORGANIZATION CHART
JUNE 30, 2004



Appendix A

DEPARTMENT OF CORRECTION
ALGOA CORRECTIONAL CENTER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

		Year Ended June 30,							
		2004				2003			
		Appropriation Authority	Expenditures	Lapsed Balances	*	Appropriation Authority	Expenditures	Lapsed Balances	*
GENERAL REVENUE FUND									
Personal Service	$	8,498,626	7,826,673	671,953		8,113,946	7,734,287	379,659	
Total General Revenue Fund		8,498,626	7,826,673	671,953		8,113,946	7,734,287	379,659	
FACILITIES MAINTENANCE RESERVE FUND									
Electrical Study		50,301	39,948	10,353	**	4,156	4,155	1	
New Electric Switches		60,886	60,032	854	**	20,800	20,799	1	
Perimeter Alarms		145,652	74,438	71,214	**	301,995	301,995	0	
Replace Steam Lines		35,695	0	35,695	**	775,828	78,180	697,648	
Total Facilities Maintenance Reserve Fund		292,534	174,418	118,116		1,102,779	405,129	697,650	
Total All Funds	$	8,791,160	8,001,091	790,069		9,216,725	8,139,416	1,077,309	

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 appropiations that are identified to Algoa Correctional Center are noted in Appendix B.

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

		Year Ended June 30,	
		2004	2003
General Revenue Fund:			
Personal Service	$	339,945	378,279
Total General Revenue Fund		339,945	378,279
Facilities Maintenance Reserve Fund:			
Replace Steam Lines		0	697,647
Total Facilities Maintenance Reserve Fund:		0	697,647
Total All Funds	$	339,945	1,075,926

** Biennial appropriations set up in fiscal year 2004 are re-appropriations to fiscal year 2005. After the fiscal year-end processing has been completed, the unexpended fiscal year 2004 appropriation balance for a biennial appropriation is established in fiscal year 2005. Therefore, there is no lapsed balance for a biennial appropriation at the end of fiscal year 2004.

Appendix B

DEPARTMENT OF CORRECTIONS
ALGOA CORRECTIONAL CENTER
COMPARATIVE STATEMENT OF EXPENDITURES (BY BUDGET OBJECT)

	Year Ended June 30,			
	2004		2003	
	Expenditures From Facility Appropriations	From Department-Wide Appropriations For ACC	Expenditures From Facility Appropriations	From Department-Wide Appropriations For ACC
Salaries & Wages	$ 7,826,672	1,534,241	7,734,287	1,317,395
Travel, In-State	0	4,528	0	6,109
Travel. Out-of-State	0	209	0	2,094
Fuel & Utilities	0	634,204	0	677,046
Supplies	0	1,172,073	0	1,157,113
Professional Development	0	3,363	0	4,463
Communication Service & Supplies	0	20,225	0	19,598
Professional Services	1,362	60,879	5,424	77,715
Housekeeping & Janitor Services	0	52,565	0	37,244
Maintenance and Repair (M&R) Services	0	56,731	0	123,015
Computer Equipment	0	31,756	0	12,385
Motorized Equipment	0	9,924	0	49,040
Office Equipment	0	23,805	0	32,703
Other Equipment	0	204,803	0	92,187
Property & Improvements	173,057	31,124	399,705	179,787
Building Leases Payments	0	423	0	572
Equipment Rental & Leases	0	4,420	0	2,104
Miscellaneous Expenses	0	170,410	0	170,977
Total Expenditures	$ 8,001,091	4,015,683	8,139,416	3,961,544

Note: Not included in this schedule are expenditures paid from department-wide appropriations, such as inmate medical services and capital improvements, that do not specify amounts by facility.