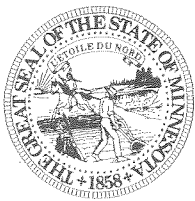


**MINNESOTA CORRECTIONAL FACILITY  
OAK PARK HEIGHTS  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1986 AND  
THE CURRENT FISCAL YEAR THROUGH APRIL 30, 1987**

**AUGUST 1987**

**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**





STATE OF MINNESOTA

## OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Orville B. Pung, Commissioner  
Department of Corrections

Mr. Frank W. Wood, Warden  
Minnesota Correctional Facility - Oak Park Heights

### Audit Scope

We have completed a financial and compliance audit of the Minnesota Correctional Facility - Oak Park Heights (MCF-OPH) for the three years ended June 30, 1986, and the current fiscal year through April 30, 1987. Section I provides a brief description of MCF-OPH's activities and finances. Our audit was made in accordance with generally accepted auditing standards, and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on June 19, 1987.

The objectives of the audit were to:

- study and evaluate MCF-OPH internal control systems, including revenues, expenses, assets, liabilities, payroll (employee and inmate), industries, and social welfare accounts;
- verify that financial transactions were properly recorded on the statewide accounting system;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapters 241 to 244, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

### Management Responsibilities

The management of MCF-OPH is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Representative Phillip J. Riveness, Chairman  
Members of the Legislative Audit Commission  
Mr. Orville B. Pung, Commissioner  
Mr. Frank W. Wood, Warden  
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Because of the inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of the changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of MCF-OPH is also responsible for compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by MCF-OPH. The purpose of our testing transactions was to obtain reasonable assurances that management had, in all material respects, administered its programs in compliance with applicable laws and regulations.

#### Audit Techniques

During our audit, we employed a variety of audit techniques. These included, but were not limited to auditor observation, interviews with MCF-OPH staff, analytical reviews to identify unusual transactions or trends, and the examination of documentation supporting a representative number of transactions. Random sampling techniques were used to assure that representative samples of transactions were chosen. However, the use of random sampling did not prohibit us from reviewing additional transactions which may have come to our attention during the audit.

#### Conclusions

In our opinion, except for the issues discussed in Section II, recommendations 1-5, the MCF-OPH system of internal accounting control in effect on April 30, 1987, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

In our opinion, for the three years ended June 30, 1986, and the current fiscal year through April 30, 1987, the MCF-OPH properly recorded, in all material respects, its financial transactions on the statewide accounting system.

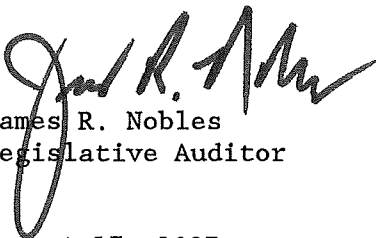
In our opinion, for the three years ended June 30, 1986, and the current fiscal year through April 30, 1987, MCF-OPH administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

Section II of this report contains the recommendations we developed during this audit. They are presented to assist you in improving accounting procedures and controls. We will be monitoring and reviewing your

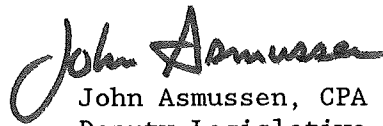
Representative Phillip J. Riveness, Chairman  
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progress on implementing these recommendations after the dates projected for completion as identified in the response to this report. Section III includes a summary of the progress on all recommendations developed during our audit of MCF-OPH for the period February 1, 1982 to April 30, 1983. (Report dated August 31, 1983.)

We would like to thank the Minnesota Correctional Facility - Oak Park Heights staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

August 17, 1987



# MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

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## AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Brad White	Auditor-in-Charge
Patrick Ryan	Staff Auditor
Joan Haskin	Staff Auditor

## EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Minnesota Correctional Facility - Oak Park Heights on June 26, 1987:

Frank W. Wood, Warden  
Dennis Benson, Associate Warden, Administration  
Robert Feneis, Finance Director  
Julie Poser, Accounting Supervisor





# MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

## I. INTRODUCTION

The Minnesota Correctional Facility - Oak Park Heights (MCF-OPH) is one of nine correctional institutions operated by the Department of Corrections. Warden Frank W. Wood was appointed by the Commissioner of Corrections and is responsible for the operations of the prison.

The Oak Park Heights facility houses adult male felons primarily with long sentences, high risk inmates or those identified as dangerous and/or chronic, serious management problems at the state's other correctional facilities. Public safety and the safety of staff and inmates in other correctional institutions have been enhanced since the admission of inmates beginning in March 1982. The estimated average daily population at MCF-OPH for fiscal year 1986 was approximately 375 inmates. For fiscal year 1986, MCF-OPH had an authorized complement of 289 positions and an additional 19 positions for the mental health unit are funded through central office appropriations. Payroll expenses for fiscal year 1986 operations were \$8.9 million, or approximately 68 percent of the total MCF-OPH operating expenses of \$13.1 million.

MCF-OPH is the state's newest correctional facility. The prison population includes inmates from other states and inmates convicted of federal crimes. MCF-OPH is reimbursed for the costs of housing these inmates and is the recipient of the dedicated revenue generated by other correctional facilities for these other state and federal inmates. During fiscal year 1986, MCF-OPH collected approximately \$1.5 million in reimbursements from the federal government and other states, and an additional \$3.0 million of dedicated revenue from other correctional facilities which is part of MCF-OPH's operating budget. Due to increasing Minnesota inmate populations, this dedicated revenue from these sources is decreasing.

In addition to protecting the public, the institution provides academic and vocational education and employment for inmates. Educational opportunities include basic remedial courses, college level courses, and various vocational programs. Employment opportunities consist of institution maintenance jobs and participation in the prison industry program. The industry operation includes office product manufacturing, microfilming shop, a full line of canvas and vinyl notebooks, envelope imprinting, and the manufacture of file folders. During fiscal year 1986, cash basis prison industry receipts and disbursements totaled approximately \$636,889 and \$690,912, respectively.

MCF-OPH is responsible for the care and custody of all money belonging to inmates of the facility. The transactions involving the inmates' money are processed through the social welfare accounts. MCF-OPH collected and disbursed approximately \$535,000 on behalf of the inmates during fiscal year 1986.

## MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

### II. CURRENT FINDINGS AND RECOMENDATIONS

Reimbursement data for billing non-Minnesota inmates requires improvement, and accounts receivable records and controls need to be developed.

The Department of Corrections is under contract with the federal government and other states to take custody and care of certain inmates within their jurisdiction for a fixed per diem rate. Department-wide receipts for these contracts exceeded \$4.5 million in fiscal year 1986, with MCF-OPH collecting approximately \$1.5 million for these non-Minnesota inmates. MCF-OPH submits monthly invoices to these governmental units for the total number of days the non-Minnesota inmates are housed at this facility. Reimbursement invoices are generally for the entire month unless an admission, discharge, or other movement occurs during the month. All movement is identified on the Minnesota Corrections Information System (MCS). The volume is not excessive, but it is enough to justify some type of receivable system.

The current procedures for identifying admission, discharge, or movement dates include a daily list of inmates printed from the MCS to compare to the previous day's list of inmates. This method has caused the need for numerous adjustments to the original invoice submitted to these entities because of incorrect dates used. A revised invoice was prepared and sent to acknowledge the correct invoice dates and amounts. An analysis of invoices from July 1983 through April 1987 revealed that 26 percent of the original federal invoices and 30 percent of Wisconsin original invoices required adjustment. Such high percentages of billing errors raise concern with the validity of the method used to accumulate the dates. Audit testing confirmed that the revised invoices did contain the correct dates which agreed with the MCS movement dates. Discussions with the Department of Corrections central office staff identified a MCS "Admissions and Movements Report" which can be produced to gather billing dates and provide a more accurate invoice.

The accounts receivable procedures and records necessary to control the billing and collection of these dedicated receipts require improvement. Currently, subsidiary and control account records have not been developed but rather a receipt slip is attached to each invoice when collected. Establishing and maintaining these records should require minimal staff time since the invoices and deposits for each entity are generally monthly. An independent reconciliation of subsidiary and control accounts needs to be performed at least quarterly. Without effective accounts receivable records and procedures, lost invoices or receipt slips could result in uncollected or unidentified payments. Also, the invoice additions and credits to correct the original invoices are not properly documented and approved. The original invoices are manually adjusted to show the correct dates and days billed rather than the preparation of an additional invoice or invoice credit document which is subject to approval by the finance director. Greater potential for errors or unauthorized changes to the amount billed exists if a separate invoice or credit is not prepared and approved.

## MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

### RECOMMENDATIONS:

1. MCF-OPH should prepare invoices for non-Minnesota inmates from the data provided on the MCS monthly admissions and movement reports developed by the Department of Corrections central office.
2. Accounts receivable records and controls should be developed to ensure proper and accurate collection of dedicated revenue including:
  - preparation of a general control account and subsidiary entity ledgers, which are periodically reconciled by independent staff; and
  - preparation of adjustment or credit invoices for changes to the original invoice subject to the approval of the finance director.

PRIOR RECOMMENDATION NOT IMPLEMENTED: Internal controls over consumable inventories need to be improved.

MCF-OPH maintains several consumable inventories, including those for food preparation, commissary, prison industries, and the pharmacy. The total value of these inventories as of March 31, 1987, was approximately \$143,000. In these areas, the custodian is also involved in taking the physical inventory counts and is responsible for the related accounting records. The prevention or detection of errors or irregularities in these areas would be improved if someone independent of the inventory function, such as staff from the finance division, verified the accuracy of the physical inventory counts.

MCF-OPH purchases food commodities for consumption by inmates and staff. A contract with an outside vendor for food preparation services includes responsibility for the food inventory recordkeeping and physical test counts. Monthly inventory balances are reported to the finance division; however, no independent counts or spotchecks are completed by any MCF-OPH staff. The commissary inventory includes consumable items such as clothing and supplies used to operate the facility. The commissary inventory area is handled by one employee who has complete responsibility for custodial, recordkeeping, and spotchecking duties. A quarterly report on the spotchecking results is submitted to the finance director; however, no effective control exists since these counts are not completed by staff independent of the inventory area.

Industry raw materials, work-in-process, and finished goods inventory records are maintained on the Automated Industry Management (AIM) computer system. This system does not provide perpetual listing of receipts and issuances from specific raw materials or finished goods. The inventory system is not capable of maintaining a historical record of receipt or issuance transactions for each item, but only provides the status of inventory on hand, on order, committed to a job, and unit cost. Without

## MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

an effective audit trail to identify receipts and issuances of inventory, it is not possible to determine the cause of discrepancies between physical counts and the computer system inventory balance.

Currently, perpetual inventory records are not being maintained for pharmaceuticals at MCF-OPH. A perpetual inventory system normally is used to record all purchases and issuances of inventory. The balance in these records then can be compared to actual physical counts to detect loss or theft of inventory and can also be used to determine the need to purchase additional inventory. A perpetual inventory system for the pharmacy is important because the inventory is sensitive, one person has complete control, and the inventory balances are not independently verified. MCF-OPH purchases prescribed drugs from MCF-Stillwater where a computerized inventory system for controlling and inventorying is being tested. It is intended that once this computerized inventory system is operational, it will be implemented to control drug inventory at MCF-OPH.

Strong internal controls provide assurance that assets are adequately safeguarded from loss or theft and that they are properly recorded in the accounting records. Elements of a strong system of internal control for assets include:

- an adequate separation of duties to ensure that the same individual cannot commit errors or irregularities that would not be prevented or detected;
- physical security over assets; and
- an accurate recordkeeping system which can be relied on for detecting loss or theft.

### RECOMMENDATIONS:

3. Physical inventory counts and spotchecks in all consumable inventories including the pharmacy, commissary, prison industries, and food areas should be verified by MCF-OPH staff independent of the inventory areas.
4. Industry inventory records should be improved by providing a perpetual system to identify receipts, issuances, and balances on hand for raw materials and finished goods.
5. The MCF-OPH pharmacy inventory should be accounted for and controlled by a perpetual inventory system.

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

Receipts are not deposited on a daily basis.

1. MCF-OPH staff should comply with Minn. Stat. Section 16A.275 by making daily deposits of receipts when the total exceeds \$250.

RECOMMENDATION IMPLEMENTED: Beginning on April 25, 1983, MCF-OPH implemented a daily process providing for prompt deposit of all receipts.

No daily listing of receipts is prepared in the mailroom and other receipt areas, and no subsequent verification with the deposit total is done by the finance section.

2. Staff at all receipt locations--mailroom, information desk, inmate intake area--should prepare a daily listing of receipts prior to sending the receipts to the finance section. A reconciliation of total receipts listed and the deposit amount should be done each day. Any difference should be investigated immediately.

RECOMMENDATION IMPLEMENTED: Receipt lists have been prepared upon collection since June 15, 1983, and MCF-OPH Finance staff began reconciling to the deposit totals on June 30, 1983.

No documentation to identify the receipts which are included in a particular deposit exists.

3. Procedures which would identify deposit numbers on the preprinted receipt form should be developed for processing receipts.

RECOMMENDATION IMPLEMENTED: Since September 1983, each receipt form identifies the associated deposit number. Deposit tickets also identify the numeric sequence of the supporting receipt forms.

Procedures for reconciling and classifying receipts need to be improved.

4. MCF-OPH staff should review and update current receipt procedures to include:
  - a total on the monthly receipt summary which is reconciled to the SWA receipt total; and
  - a proper classification of receipts on the SWA System so that receipts can be accurately identified when preparing informational summaries.

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED: On July 1, 1983, MCF-OPH staff began to identify the corresponding SWA account for each line on the monthly receipt summary which agrees with the SWA receipt totals. New receipt source codes were assigned to allow specific types of receipts to be more easily identified. Improvements are still needed in the timeliness of receipt reconciliations.

Drugs and medications stored in the mental health unit are not monitored on a perpetual inventory system maintained at MCF-OPH.

5. Perpetual inventory records for pharmacy drugs and supplies should be maintained at MCF-OPH for better inventory control. The perpetual records should be posted at least on a weekly basis to show receipt of stock, usage, and balance of inventory on hand.

RECOMMENDATION NOT IMPLEMENTED: See current recommendation #5.

6. A physical inventory of pharmacy stock on hand should be completed on a periodic basis to verify the perpetual inventory record balance. Any differences should be investigated and adjustments made.

RECOMMENDATION NOT IMPLEMENTED: See current recommendation #3.

Perpetual inventory records for general commissary supplies are not being maintained.

7. The commissary staff should implement a formal perpetual inventory system and permanent procedures for monitoring and controlling the inventory in accordance with Department of Administration, Consumable Inventory Section guidelines.

RECOMMENDATION PARTIALLY IMPLEMENTED: Perpetual inventory records were developed on January 1984 and fully implemented in May 1985; however, certain staff duties and responsibilities are not effectively separated. See current recommendation #3.

Canteen inventory records are inadequate.

8. A perpetual inventory system should be established for the canteen consumable inventory.

RECOMMENDATION IMPLEMENTED: The canteen implemented a perpetual inventory system on July 1, 1983, to control consumable inventory.

Prison industries inventory records and procedures need to be improved.

9. Perpetual inventory records for raw materials, work-in-process, and finished goods should be developed. Physical counts should be taken on a regular basis and reconciled to the perpetual inventory balances.

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

RECOMMENDATION NOT IMPLEMENTED: See current recommendations #3 and #4.

A formal written contract has not been negotiated with one of the largest prison industries customers.

10. A formal written contract should be negotiated with all industries customers who make regular or continual purchases. The contract should address essentials such as liability, insurance, payment, and delivery specifications.

RECOMMENDATION WITHDRAWN: Since fiscal year 1985, prison industries serves more individual customers on an order by order basis rather than only a few large customers. Customer purchase orders are now required to establish the order specifications, and individual contracts with each customer would not be cost beneficial.

Industry contract approval procedures do not comply with the Department of Administration, Contract Management Division guidelines.

11. All industries contracts with continuous customers should be subject to review and approval by the Department of Administration, Contract Management Division.

RECOMMENDATION IMPLEMENTED: Beginning in fiscal year 1985, certain income contracts are negotiated by MCF-OPH whenever equipment exchanges or a substantial ongoing relationship exists. These contracts are subjected to review and approval of the Department of Administration.

Procedures for processing inmate payroll need to be strengthened.

12. MCF-OPH administrative staff should review and update policies and procedures for processing inmate payroll, including the inmate pay plan. The information required on forms, the procedures for forms completion, and the directions for file maintenance for inmate payroll records should be included.

RECOMMENDATION IMPLEMENTED: The inmate pay plan and payroll policies and procedures were revised entirely in June 1986. An internal audit function has been established to ensure adequate compliance.

13. All staff who are assigned inmate payroll responsibilities should be instructed on the proper and careful processing of inmate payroll in accordance with the established policies and procedures, so that errors are minimized.

RECOMMENDATION IMPLEMENTED: In November 1986, all payroll center supervisors were provided an inmate payroll instructional packet explaining the proper completion and processing of forms. New inmate payroll supervisors are provided with training and this instructional packet.

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

The social welfare control account balance is not reconciled to the Statewide Accounting (SWA) System balance on a timely basis.

14. The social welfare control account balance should be reconciled to the SWA balance each month. Staff should continue their efforts to reconcile past months of social welfare activity to determine a correct current balance.

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED: The fiscal year 1985 and fiscal year 1986 social welfare account reconciliations were not timely due to the backlog of uncompleted reconciliations. In April 1986, these reconciliations were current; however, timeliness of the reconciliations since that date still requires improvement.

The petty cash account at MCF-OPH was improperly established.

15. MCF-OPH staff should establish a petty cash account through Department of Finance procedures and include it as part of the existing imprest cash account.

RECOMMENDATION IMPLEMENTED: On August 4, 1983, MCF-OPH obtained the Department of Finance authorization for a \$2,000 imprest cash limit. This limit includes \$130 held as petty cash and \$1,870 in a checking account.

16. The withheld meal ticket receipts should be deposited promptly as miscellaneous revenue.

RECOMMENDATION IMPLEMENTED: The \$30 meal ticket receipts withheld for change were deposited on June 15, 1983.

The separation of duties involved with the petty cash account is inadequate.

17. The responsibilities associated with the petty cash account should be split and assigned to at least two individuals.

RECOMMENDATION IMPLEMENTED: On July 1, 1983, MCF-OPH effectively separated the petty cash custodial responsibility from the depositing of collections and the reconciling of the meal and barbershop tickets issued.



August 17, 1987

OFFICE OF THE WARDEN

James K. Nobles, Legislative Auditor  
State of Minnesota  
Office of the Legislative Auditor  
Veterans Service Building  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

We have received your draft audit report summarizing the results of audit work completed at this institution for the period of May 1, 1983 thru April 30, 1987. We appreciate the opportunity to provide our written response to your recommendations prior to formal distribution of the audit report. Again I would like to express my appreciation for the professional manner in which your audit team conducted their work at this facility.

Listed below are your findings and our responses to five specific recommendations covering two general areas needing attention; non-Minnesota inmate billings and control of inventories.

- I. Reimbursement data for billing non-Minnesota inmates requires improvement and accounts receivable records and controls need to be developed.

RECOMMENDATION:

1. MCF-OPH should prepare invoices for non-Minnesota inmates from the data provided on the MCS monthly admissions and movement reports developed by the Department of Corrections central office.

RESPONSE:

Implementation completed. We agree that using data from the Department of Corrections MCS system "Admission and Movement Report" will increase the accuracy of our billings to other governmental jurisdictions for housing non-Minnesota inmates. Our Accounting Technician began using this report when preparing the June, 1987 invoices and we have collected all receipts for the month of June without a billing adjustment.

RECOMMENDATION:

2. Accounts receivable records and controls should be developed to ensure proper and accurate collection of dedicated revenue including:
  - preparation of a general control account and subsidiary entity ledgers, which are periodically reconciled by independent staff; and
  - preparation of adjustment or credit invoices for changes to the original invoice subject to the approval of the finance director.

RESPONSE:

Implementation completed. An accounts receivable general control account and subsidiary ledgers for each governmental entity has been developed and are being used by an Accounting Technician to record invoices issued, invoice adjustments and payments received. Another Accounting Technician will perform a quarterly review and reconciliation of the accounts receivable control and subsidiary accounts for non-Minnesota inmate billings.

Although we have not found it necessary to adjust invoices since we began using the "Admissions and Movement Report", we have developed a form and procedures for processing invoice adjustments. The Accounting Technician who prepares invoices will also prepare invoice adjustments that will be authorized by the signature of the Finance Director.

II. Internal controls over consumable inventories need to be improved.

RECOMMENDATION:

3. Physical inventory counts and spotchecks in all consumable inventories including the pharmacy, commissary, prison industries, and food areas should be verified by MCF-OPH staff independent of the inventory areas.

RESPONSE:

Partially implemented. Status of inventory counts and spotchecks for consumable assets in each area is as follows:

- Pharmacy. The institution pharmacist is setting up a computerized perpetual inventory system for pharmacy drugs which is expected to be functioning by September 30, 1987. Barb Hunt, RN Supervisor will conduct and document monthly inventory spotchecks for a limited number of randomly selected pharmacy drugs once the new system is running.
- Commissary. As noted in your audit report, one staff person, the Inventory Control Officer, has had complete responsibility for all functions related to Commissary inventory. On August 14, 1987 the Commissary Lieutenant conducted an inventory check of a randomly selected number of Commissary items. Similar to the Legislative Audit, no discrepancies were found. The Commissary Lieutenant will continue to conduct and document monthly inventory spot checks.
- Prison industries. We have had a system for spotchecks on Industry consumable inventories in place for approximately one year. Industry warehouse staff are responsible for physical control of stock and the Buyer's Assistant maintains the automated inventory records. The Industry

Accounting Officer prepares a monthly list of randomly selected inventory items to be counted by Warehouse staff. These counts are completed and sent to the Buyer Assistant for comparison to inventory records. A report of the results of this monthly spotcheck is sent to the Accounting Technician.

- Food areas. Food provisions are physically inventoried every four weeks by contract food service staff. Starting with the August 23, 1987 inventory, Finance will provide an Accounting Technician (same person who calculates food costs) to conduct spotchecks on a preselected number of food inventory items to verify the accuracy of the physical count.

RECOMMENDATION:

4. Industry inventory records should be improved by providing a perpetual system to identify receipts, issuances, and balances on hand for raw materials and finished goods.

RESPONSE:

MCF-OPH uses the Open Systems Inventory software package of the AIM computer system to record inventory transactions. The current system does tell us the current number and costs of the items in stock but is not capable of providing a specific list (audit trail) of receipt and issuing transactions. An audit trail of the paper documents resulting in inventory transaction entries is available.

The Department of Corrections is in the process of evaluation of all Industry management reporting and accounting needs with the goal of further automation of these systems. The specific needs and deficiencies of the Inventory system will be addressed in this process. As a member of the Department's AIM task force, the MCF-OPH Finance Director will recommend that the criteria for selection of new Inventory software include provision for an audit trail of Inventory transactions. Implementation of this recommendation is expected to take at least one year because of the complexity of the entire project and we do not feel that it is cost-effective to invest in a short term solution for this specific problem.

RECOMMENDATION:

5. The MCF-OPH pharmacy inventory should be accounted for and controlled by a perpetual inventory system.

RESPONSE:

MCF-Oak Park Heights receives prescription drugs from the MCF-Stillwater pharmacy. MCF-Stillwater has written a program and is testing a computerized system for the control and inventory of pharmacy drugs. By September 30, 1987 MCF-Oak Park Heights expects to transfer this program to our pharmacy which will allow us to monitor and control prescription drugs under a perpetual inventory system. Ken Carlson, Health Services Director is responsible for implementing this recommendation.

James R. Nobles, Legislative Auditor  
August 17, 1987  
Page Four

We appreciate your suggestions for improving the financial operations at this institution. If you have any questions regarding our response to your recommendations don't hesitate to call me.

Sincerely,



Frank W. Wood  
WARDEN

FWW:mt

cc: Orville Pung, Commissioner of Corrections  
Howard Costello, Deputy Commissioner of Corrections  
Shirley Flekke, Fiscal Services Director  
Dennis Benson, Associate Warden of Administration  
Don Cooper, Associate Warden of Operations  
Tom Grogan, Industry Superintendent  
Ken Carlson, Health Services Director  
Robert Feneis, Finance Director  
Julie Poser, Accounting Supervisor