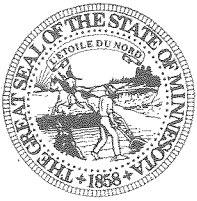


**MINNESOTA CORRECTIONAL FACILITY --  
RED WING  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE PERIOD FROM JULY 1, 1983  
TO FEBRUARY 29, 1988**

**AUGUST 1988**





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Orville B. Pung, Commissioner  
Department of Corrections

Mr. Gerald O'Rourke, Superintendent  
Minnesota Correctional Facility - Red Wing

Audit Scope

We have completed a financial and compliance audit of the Minnesota Correctional Facility - Red Wing (MCF-Red Wing) for the period from July 1, 1983 to February 29, 1988. Section I provides a brief description of the facility'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 April 20, 1988.

The objectives of the audit were to:

- study and evaluate major MCF-Red Wing internal control systems, including receipts, disbursements, payroll (employee and inmate), cash funds, fixed assets, industries, education programs, and social welfare;
- verify that financial transactions were properly recorded on the statewide accounting (SWA) system;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapters 241-244, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations included in our audit report for the year ended June 30, 1983.

Management Responsibilities

The management of Minnesota Correctional Facility-Red Wing 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

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Members of the Legislative Audit Commission  
Mr. Orville B. Pung, Commissioner  
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Minnesota Correctional Facility - Red Wing  
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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.

Because of 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 changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of MCF-Red Wing is responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by MCF-Red Wing. The purpose of our testing of transactions was to obtain reasonable assurance that MCF-Red Wing had, in all material respects, administered their 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 agency 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 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 raised in Section II findings 1-5, the system of internal accounting control of MCF-Red Wing in effect as of February 29, 1988, 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 authorizations and recorded properly.


In our opinion, for the period from July 1, 1983 to February 29, 1988, MCF-Red Wing properly recorded, in all material respects, its financial transactions on the statewide accounting (SWA) system .

In our opinion, for the period from July 1, 1983 to February 29, 1988, except for the issues raised in Section II, findings 2, and 4-5, MCF-Red Wing administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.


Representative Phillip J. Riveness, Chairman  
Members of the Legislative Audit Commission  
Mr. Orville B. Pung, Commissioner  
Mr. Gerald O'Rourke, Superintendent  
Minnesota Correctional Facility - Red Wing  
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Section II of this report contains the findings we developed during this audit. The recommendations are presented to assist the facility in resolving the audit findings and in improving accounting procedures and controls. We will be monitoring and reviewing MCF-Red Wing's progress on resolving these findings after the date projected for completion as identified in the response to this report. A summary of the progress made on all audit recommendations discussed in our last audit report covering the period ending June 30, 1983, dated June 1984, is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the staff of MCF-Red Wing for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

August 11, 1988



DEPARTMENT OF CORRECTIONS  
MINNESOTA CORRECTIONAL FACILITY - RED WING

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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
Sonya Hill	Auditor-in-Charge
Joan Haskin	Staff Auditor
Pat Ryan	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following people on April 29, 1988:

MCF-Red Wing

Gerald O'Rourke -- Superintendent  
Richard Ottoson -- Business Manager  
Shirley Hoium -- Accounting Officer

Department of Corrections

Shirley Flekke -- Director, Fiscal Services  
Pete Maurer -- Accounting Director



DEPARTMENT OF CORRECTIONS

MINNESOTA CORRECTIONAL FACILITY - RED WING

I. INTRODUCTION

The Minnesota Correctional Facility - Red Wing (MCF-Red Wing), formerly known as the State Training School, is a minimum security facility which houses both juvenile and adult males. The facility provides custody, evaluative and treatment services for male juveniles who have been committed to the Commissioner of Corrections from the southeastern region of Minnesota, including the Twin Cities metropolitan area. Detention and predispositional services are provided to the county juvenile court system.

The adult population consists of males who have been transferred from maximum security facilities and are nearing their release dates. Work programs for the adults consist of vocational training, land management, and other work programs. Programs for the juvenile population are academic and vocational in nature, including remedial mathematics and reading courses, and various trades.

The facility was constructed in 1891 and consists of an open campus which contains one and two story cottages that house between 25 and 30 residents each. The average population of the facility is approximately 100 juveniles and, with the recent addition of another adult cottage, the adult population now totals 75 individuals. Program capacity is 145 and the staff size is 121. The facility is under the supervision of Superintendent Gerald O'Rourke.

The following summarizes the financial activity of the facility for fiscal year 1987:

<u>Category</u>	<u>Fiscal Year 1987 Expenditures</u>
Personal services	\$4,579,377
Professional technical services	114,117
Administrative expenditures	330,126
Supplies and equipment	<u>577,179</u>
TOTAL	<u>\$5,600,799</u>

DEPARTMENT OF CORRECTIONS  
MINNESOTA CORRECTIONAL FACILITY - RED WING

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. The social welfare fund is not reconciled to the statewide accounting (SWA) system totals.

The social welfare fund was established by Minn. Stat. Section 241.08 for the Department of Correction's institutions to safeguard resident monies in the State Treasury. At MCF-Red Wing, the social welfare fund includes individual resident accounts, a contingent checking account, a canteen operating fund, and a surplus consisting of canteen profits, unclaimed accounts, and excess interest earnings. The individual resident accounts consist of money deposited from earnings, gifts from outside parties, and pro rata interest earnings. Through the use of the contingent checking account, the money is used at the resident's discretion for purchases from outside retailers or from the MCF-Red Wing canteen. The canteen operating fund is used to purchase canteen inventory.

While the contingent checking account is reconciled to its current amount on a regular basis, the social welfare fund, as a whole, is not reconciled to the statewide accounting system totals. A reconciliation is necessary to ensure that all transactions are recorded properly, that all money is accounted for, and that the fund balance is correctly stated. During fiscal year 1987, the authorized balance of the social welfare contingent account was \$10,000 and was increased in March 1988 to \$13,000.

RECOMMENDATION

- MCF-Red Wing should reconcile the social welfare fund to SWA balances on a monthly basis.

2. PRIOR FINDING NOT RESOLVED. Department and field purchase orders are not consistently used.

MCF-Red Wing has an authorized local purchase authority of \$100 which allows small purchases that need not be processed through the Department of Administration. However, certain guidelines and controls must be followed when using this authority. These guidelines are outlined in Department of Finance Operating Policy and Procedures 06:04:04 and 06:04:07.

We reviewed and tested several purchases made by MCF-Red Wing under local purchase authority. For some of the items tested we were unable to determine if the purchases were properly authorized, because the only documentation available were invoices for the purchases. Because the business office only receives invoices for purchases made, the staff is subsequently unable to determine if the purchase was legitimate and properly authorized.

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### MINNESOTA CORRECTIONAL FACILITY - RED WING

An effective internal control system requires that all purchases are properly authorized and approved. This can be achieved by requiring a purchase requisition and a departmental purchase order approved by an appropriate supervisor for all purchases made by the institution. In emergency situations, field purchase orders could be used. When invoices are received in the business office they need to be compared to the purchase order to verify that the invoice is correct and the purchase was properly authorized.

#### RECOMMENDATION

- An approved departmental purchase order or field purchase order should be prepared for all purchases, including those made under local purchase authority.

3. PRIOR FINDING NOT RESOLVED. Industry service orders and accounts receivable are not sufficiently monitored.

The industry program at MCF-Red Wing provides vocational training for residents of the facility. Receipts from the program for fiscal year 1987 totaled \$13,475. The program includes a greenhouse, printing services, and minor auto repair. The customers of the program include MCF-Red Wing staff and nonprofit organizations. Each service area has a unique work order which is completed by program supervisors listing the work done and the amount to charge the customer. Groups of work orders are periodically brought to the business office where invoices are produced and the customer is billed. The unpaid invoices are kept in a file until payment is received. A daily summary of receipts for each program area is maintained and totaled at the end of each month.

Internal controls can be improved by having completed work orders brought to the business office in a timely manner and by better monitoring outstanding receivables. We found that some work orders are not brought to the business office until several weeks after the work is completed. It is important that the completed work orders are brought promptly to the business office so that the billing process can begin. The work orders also need to be used in sequential order so that they can all be accounted for.

An option to improve prompt billing and accounting for accounts receivable could include the following. When the work orders are brought to the business office, a schedule listing the customers name, work order number, date work completed, date billed, and the amount billed would be prepared. When the payment is received, the payment date, receipt number, and amount received would be recorded. This schedule would help to ensure that all work orders and invoices are accounted for and provide a method of monitoring outstanding receivables.

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MINNESOTA CORRECTIONAL FACILITY - RED WING

RECOMMENDATIONS

- Industry work orders should be used in sequential order and brought to the business office weekly upon completion of the work.
- An accounts receivable schedule should be prepared to ensure that all outstanding receivables are accounted for and that payments are received on a timely basis.

4. PRIOR FINDING NOT RESOLVED. Controls over fixed assets need improvement.

MCF-Red Wing has a fixed asset inventory valued at approximately \$185,000. The assets are recorded on the fixed asset record management system (FARMS). The FARMS listing records asset location, acquisition date, cost, asset number, and net book value.

The Department of Administration's Materials Management Division has established policies and procedures for controlling fixed asset inventories. MCF-Red Wing also has established institution policies for fixed assets. MCF-Red Wing Policy and Procedure 3-200.1 states that each building is assigned an inventory manager who is responsible for all assets at that location. The inventory manager is responsible for maintaining records on all assets transferred into or out of the building.

In an attempt to verify that transfers and location changes of fixed assets had been properly documented and recorded on the FARMS records, we talked to the acting inventory coordinator as the previous one was no longer employed. The current custodian had no idea where the fixed asset records were located; therefore, no testing on the accuracy of the FARMS listing could be done. Paper work for at least a month was still waiting to be processed; however, the current custodian did not know how to process it.

We also reviewed a report prepared by the Materials Management Division regarding a fixed asset inventory management audit conducted at MCF-Red Wing in March 1988. Among the findings cited in the report was a lack of an adequate system for reporting the movement and transfer of fixed assets between locations. The report also cited a lack of cooperation between inventory managers and the inventory coordinator regarding their responsibilities, and the lack of a proper form to notify the inventory coordinator of asset movement. To strengthen the control over fixed asset inventory, it is important that the all asset location changes and transfers be reported to the inventory coordinator on a timely basis so the FARMS asset listing can be updated and accurately maintained. Employees involved in the fixed asset custodial functions need to be aware of their responsibilities regarding the reporting and recordkeeping requirements they are to follow.

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MINNESOTA CORRECTIONAL FACILITY - RED WING

RECOMMENDATION

- Fixed asset location changes and transfers should be reported to the inventory coordinator and entered on a timely basis.

5. PRIOR FINDING NOT RESOLVED. Internal controls over consumable inventories need improvement.

MCF-Red Wing maintains several consumable inventory locations, including those for maintenance parts and supplies, cleaning supplies, and clothing. The total value of these inventories is approximately \$125,000. In each of the inventory centers, the custodian is responsible for recording inventory received, issued, and the subsequent posting to the perpetual inventory records.

MCF-Red Wing staff informed us that physical inventories have not been completed at many of the inventory centers since 1984. We were unable to verify physical inventory results because either the records did not exist or the counts were not documented. Some inventory custodians considered the maintenance of inventory records a low priority and not part of their jobs. Our sample testing at several inventory locations showed that there was an accuracy rate of 72 percent overall, well below the 90 percent minimum acceptable level established by the Materials Management Division.

Effective internal controls require that each inventory location have a complete physical inventory conducted on an annual basis or regular periodic spotchecks. The counts are to be done by someone independent of the inventory centers and the results would be documented. Discrepancies between the perpetual records and the physical counts are to be investigated and reported to facility management. To further strengthen controls over consumable inventories, facility staff need to be informed of their responsibility for maintaining accurate inventory records.

RECOMMENDATIONS

- MCF-Red Wing should complete annual physical inventory counts or periodic spotchecks on a regular basis. The staff conducting the counts should be independent of the inventory areas. The results should be documented and material discrepancies investigated and reported to MCF-Red Wing management.
- MCF-Red Wing staff responsible for maintaining inventory records should receive additional training and direction to become familiar with current institution policies for inventory recordkeeping.

DEPARTMENT OF CORRECTIONS

MINNESOTA CORRECTIONAL FACILITY - RED WING

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

Payroll expenditures for two employees shared with other Department of Corrections (DOC) units are not accurately shown on the statewide accounting (SWA) system.

1. MCF-Red Wing staff should work with the DOC central office to properly charge the time of shared employees to the appropriate DOC budget category. Expense transfers should be made on the SWA system to show actual payroll expenditures for each unit within DOC.

RECOMMENDATION IMPLEMENTED. MCF-Red Wing has been charging MCF-Shakopee for its share of the dentist's salary since August 8, 1984. His salary expense at MCF-Shakopee from July 1, 1984 to August 8, 1984 was transferred from MCF-Red Wing's account to MCF-Shakopee's account by an expense transfer.

The duties of receiving goods and authorizing payment for purchases are not separated.

2. The duties of receiving goods and authorizing payments should be separated so that:
  - one employee is responsible for receiving all goods, including UPS shipments;
  - the individual who receives the merchandise at the receiving dock checks the merchandise, signs the packing slip (receiving report) showing that the merchandise was received, and sends the packing slip and the merchandise to the employee requesting the merchandise;
  - the employee who requested the merchandise checks it when he/she receives it to be sure that it is correct, signs the packing slip, and sends it to the business office;
  - someone independent of the receiving function approves the invoices for payment and signs the coding blocks on the Department of Finance forms; and
  - an individual independent of receiving goods and signing the coding blocks signs the batch cover sheet approving payment.

RECOMMENDATION IMPLEMENTED. The accounting clerk is now responsible for receiving UPS shipments. The business manager no longer performs any type of receiving function.

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MINNESOTA CORRECTIONAL FACILITY - RED WING

- Testing of disbursements for supplies and materials showed that 17 of 20 items (85 percent) had written documentation that the goods were received.
- Testing of disbursements noted that the Business Manager, who is now independent of the receiving function, was signing the coding blocks on the Department of Finance forms.
- Testing of 44 disbursements showed that in 41 cases, the batch cover sheet approving payment was signed by someone independent of the receiving and payment functions.

Disbursements are not properly authorized and/or supported.

3. All payments for goods or services should be supported by:
  - proper documentation, including any of the following that are applicable: purchase requisition, purchase order, receiving report, and invoice;
  - authorized signatures on the documentation for each type of disbursement; and
  - notation that the invoices and documentation have been compared in the business office before payments are made.

RECOMMENDATION IMPLEMENTED. Based upon testing conducted and auditor observation, adequate documentation was on file to support disbursements.

4. If applicable, a purchase order or field purchase order should be completed for all expenditures, including those on local purchase authority, and signed by the supervisor who requests the item(s). These documents should be used in sequential order and retained with a copy of the invoice.

RECOMMENDATION NOT IMPLEMENTED. See current finding #2.

Receipts are not reconciled to SWA system records.

5. MCF-Red Wing should reconcile all receipts to SWA reports on a monthly basis. The documentation supporting the reconciliations should be retained as evidence of their completion.

RECOMMENDATION IMPLEMENTED. Beginning fiscal year 1984, MCF-Red Wing began reconciling all receipts to SWA records on a regular basis, using deposit slips and SWA receipt reports.

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Non-social welfare receipts are not listed when received nor reconciled to total deposits.

6. MCF-Red Wing receipts should be processed as follows:
  - a. The mailroom clerk should open all mail, send all receipts to the switchboard operator and all other mail to the proper location.
  - b. The switchboard operator should be responsible for receiving vocational receipts from the staff and listing all receipts on a daily basis.
  - c. Someone independent of handling cash, preparing the deposit slips, or listing the receipts should reconcile the receipt listing to the deposit slips to verify the timely deposit of all receipts.

RECOMMENDATION WITHDRAWN. The business office prepares receipt slips for everything received, no matter what the source. These receipt slips serve as a listing of all receipts, so preparation of a separate listing is considered a duplication of effort. Social welfare receipts are reconciled to SWA receipt reports in the same manner as any other types of receipts on a monthly basis.

The procedures for certifying meals under the Child Nutrition Program need improvement.

7. Meals certified under the Child Nutrition Program should be verified as follows:
  - The employee who completes the "monthly payment voucher" and the person authorizing the voucher should check the extensions to be sure the proper reimbursement for the Child Nutrition Program is requested.
  - The "Offenders on Special Status" report should be kept on a daily basis and the MCF-Red Wing Offender Index should be kept for the last day of the month to document the number of students on leave.

RECOMMENDATION IMPLEMENTED. Recalculation of a judgmental sample of monthly payment vouchers showed no errors in extensions. The Offenders on Special Status reports are maintained on a daily basis and kept by fiscal year. However, since fall of 1985, the method of calculating the number of meals served as reported on the monthly payment voucher no longer requires the information this report provided.

8. MCF-Red Wing should contact the state Department of Education and request the underpayment of \$1,400 for October 1982.

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RECOMMENDATION WITHDRAWN. In 1984, several phone calls were made to the Department of Education requesting the \$1,400 underpayment. Program guidelines, however, only allow 60 days for a reimbursement request, so funds are not available to repay the underpayment.

Controls over fixed assets need to be improved.

9. Location changes and transfers of fixed assets should be submitted to the chief stores clerk for updating on a timely basis. Changes to the statewide fixed asset inventory system (SWFAIS) for additions, deletions, and transfers should be verified with an updated SWFAIS list at least on a quarterly basis.

RECOMMENDATION NOT IMPLEMENTED. See current finding #4.

10. Complete inventories should be taken at the closed cottages and any assets determined not to be needed by MCF-Red Wing should be put on the surplus property list. If assets are to be stored, they should be organized to facilitate an accurate count and cause the least amount of damage to assets.

RECOMMENDATION WITHDRAWN. At the time the cottages were closed, an inventory was taken; however, the cottages were only closed for a month. At this time, there are no closed cottages.

No policy addresses the liability for damage to MCF-Red Wing assets used by community education programs.

11. MCF-Red Wing should issue a policy which would establish a user fee or replacement liability for facility furniture and equipment used for community education programs.

RECOMMENDATION WITHDRAWN. The practice of giving space to community education groups was discontinued in August 1984.

Controls over consumable inventories need to be improved.

12. Records over the consumable inventories at MCF-Red Wing should be revised as follows:
  - Perpetual inventory records should be established and maintained for all consumable inventory areas. Complete physical counts with periodic spotchecks should be taken on a regular basis and reconciled to the perpetual inventory balances.
  - Requisitions for USDA food supplies from vocational food service and "Grandmother" programs should be posted to the kitchen records on a timely basis consistent with other inventory postings.

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- Obsolete inventory items should be sold or declared as surplus and removed from inventory records.

RECOMMENDATION PARTIALLY IMPLEMENTED. Perpetual inventory records have been established and maintained for all material consumable inventory areas. Requisitions for USDA (United States Department of Agriculture) food supplies have been posted on a timely basis since July 1984. No obsolete items currently were found in the inventory. Complete physical inventories have not been taken since 1984 and spotchecks were not documented, if taken. See current finding #6.

13. Inventory storage areas should be organized and properly labeled so that accurate identification can be made.

RECOMMENDATION IMPLEMENTED. Testing of perpetual records at six inventory centers, on April 18, 1988, showed that all storage areas were adequately organized. Individual items can be accurately identified by qualified individuals in a particular area.

14. Staff responsible for maintaining inventory records should receive additional training to become familiar with current institution policies for inventory recordkeeping.

RECOMMENDATION NOT IMPLEMENTED. See current finding #5.

Gasoline usage tickets are not reconciled to a control card for the gasoline inventory.

15. Controls over the gasoline inventory should be improved as follows:

- Gasoline usage tickets should be brought to the business office on a weekly basis for reconciliation purposes. The duplicate copy of the completed tickets should be maintained at the MCF-Red Wing garage and used to post to a perpetual control card for gasoline.
- A control log of sequentially numbered tickets issued for the gas pump should be maintained by the business office. Unused tickets should also be secured in the business office until needed.
- A monthly reconciliation should be prepared in the business office to verify the printed meter readings at the beginning and end of the month to the gallons issued as shown on the perpetual inventory records.

RECOMMENDATION IMPLEMENTED. Beginning in July 1985, MCF-Red Wing began maintaining a perpetual inventory for gasoline. The business office now maintains a log of sequentially numbered tickets issued

DEPARTMENT OF CORRECTIONS

MINNESOTA CORRECTIONAL FACILITY - RED WING

for the gas pump and any unused tickets. The business office also completes a monthly reconciliation between beginning and ending meter readings and the perpetual inventory's record of usage.

The master pattern keys are not secured in a separate locked cabinet.

16. The master pattern keys should be stored in a locked cabinet or case within the secured key shop.

RECOMMENDATION IMPLEMENTED. In November of 1986, all keys were transferred to a locked closet in the maintenance supervisor's office.

Service orders and accounts receivable are not sufficiently monitored.

17. Industry service orders should be used in sequential order and brought to the business office daily upon completion of jobs.

RECOMMENDATION NOT IMPLEMENTED. See current finding #3.

18. An accounts receivable schedule should be prepared to record all current service orders and document payment to ensure that all bills are accounted for and payments are received on a timely basis.

RECOMMENDATION NOT IMPLEMENTED. See current finding #3.

19. MCF-Red Wing should establish a policy requiring payment within 30 days from completion of service orders, and authorizing an interest charge on the unpaid balance of any delinquent account. All current customers should be notified of the policy.

RECOMMENDATION WITHDRAWN. According to an Attorney General's opinion dated June 5, 1980, for MCF-Lino Lakes, interest may not be charged on accounts which are not open end credit sales.

Vocational food service receipts are not properly controlled.

20. Vocational food service receipts should be controlled through establishing a meal ticket system or by providing documentation for accurately reporting all meal receipts.

RECOMMENDATION IMPLEMENTED. MCF-Red Wing began preparing listings of meal receipts in July 1984. These listings noted the individuals who ate on a given day with the amount paid.

21. A study of vocational food service receipts and costs should be completed to determine if a price increase is necessary to recover costs.

RECOMMENDATION IMPLEMENTED. On July 10, 1984, a staff bulletin was issued noting price increases for lunches and coffee at food service. Currently, no meals are served to employees at the food service.

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MINNESOTA CORRECTIONAL FACILITY - RED WING

Unclaimed balances in the social welfare account are not written off as specified in Minn. Stat. Section 241.09.

22. MCF-Red Wing should comply with Minn. Stat. Section 241.09 and deposit money unclaimed within two years into the account for the benefit of the inmates of the facility. A listing of all accounts written off should be retained to support the unclaimed amount in a resident's account if claimed in the future.

RECOMMENDATION IMPLEMENTED. The total of outstanding checks for unclaimed accounts was deducted from a subsequent reimbursement and added back to the contingent account checkbook balance. Amounts listed on ledgers but never paid to residents remains as part of the surplus in the social welfare fund. Adjustments were made on February 29, 1988, and March 4, 1988.

The dollar amount on the resident "wage form" was not completed for all residents.

23. The biweekly resident wage form should be completed in its entirety to provide adequate documentation for the allowance credit to the resident social welfare accounts.

RECOMMENDATION IMPLEMENTED. Of 25 sample items tested, the wage form was completed in its entirety in all instances. This procedure was consistently followed since June 7, 1985.

An annual statement of canteen profits was not prepared and retained for comparative analysis.

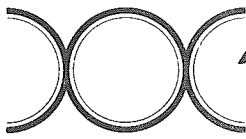
24. MCF-Red Wing should prepare financial statements for the canteen operations at least on a quarterly basis and should retain them for comparative purposes.

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED. Procedures have been developed and quarterly statements have been prepared. However, some of the statements for the audit period could not be located by MCF-Red Wing staff.

Policies regarding the number of hours to be worked by residents on a work study program have not been formalized.

25. Policies and procedures should be established to provide directives for the number of hours and overtime of residents who work on the work study program.

RECOMMENDATION IMPLEMENTED. MCF-Red Wing policy 2.502.5 was revised in September 1985, to give the number of hours and overtime residents on the work study program can work. It also addresses the issue of pay for overtime worked.



August 11, 1988

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

Dear Mr. Nobles:

Our response to your audit report for MCF-Red Wing covering the four years ended June 30, 1987 is attached. Each audit finding is listed and addressed separately along with a notation of the individual responsible for implementation.

We appreciate your assistance in improving accounting procedures and controls at our facility. If you have any questions concerning our response, please feel free to call.

Sincerely,

Gerald T. O'Rourke  
Superintendent

GTO/mk

Attachment

DEPARTMENT OF CORRECTIONS  
MCF-RED WING

AUDIT RESPONSE

THE SOCIAL WELFARE FUND IS NOT RECONCILED TO THE STATEWIDE ACCOUNTING (SWA) SYSTEM TOTALS

RECOMMENDATION:

1. MCF-Red Wing should reconcile the social welfare fund to SWA balances on a monthly basis.

RESPONSE: MCF-Red Wing will reconcile the social welfare fund to SWA balances on a monthly basis. Date implementation will be August 31, 1988.  
Person responsible: Shirley Hoium

DEPARTMENT AND FIELD PURCHASE ORDERS ARE NOT CONSISTANTLY USED.

RECOMMENDATION:

2. An approved departmental purchase order or field purchase order should be prepared for all purchases, including those made under local purchase authority.

RESPONSE: An approved departmental purchase order will be prepared for all purchases, including those made under local purchase authority. In order to ensure that purchases are legitimate and properly authorized and approved, a new form was devised and approved by the legislative auditors during their visit. They have been printed and are being sent to all department heads. Date of total implementation will be September 1, 1988.  
Person responsible: Richard Ottoson

INDUSTRY SERVICE ORDERS AND ACCOUNTS RECEIVABLE ARE NOT SUFFICIENTLY MONITORED.

RECOMMENDATIONS:

3. Industry work orders should be used in sequential order and brought to the business office weekly upon completion of the work.

An accounts receivable schedule should be prepared to ensure that all outstanding receivables are accounted for and that payments are received on a timely basis.

RESPONSE: Industry (vocational shop) work orders will be used in sequential order and brought to the business office weekly upon completion of the work.

An accounts receivable schedule will be prepared to ensure that all outstanding receivables are accounted for and that payments are received on a timely basis.

Our accounting officer has been doing a diligent job in this area but we will get affected department heads and administration involved to see that these recommendations are carried out by October 1, 1988.

Person responsible: Shirley Hoium

#### CONTROLS OVER FIXED ASSETS NEEDS IMPROVEMENTS.

##### RECOMMENDATION:

4. Fixed asset location changes and transfers should be reported to the inventory coordinator and entered on a timely basis.

RESPONSE: We have been without the services of our inventory coordinator for several months and are in the process of requesting a reallocation of the position from Senior Stores Clerk to Inventory Control Supervisor I. When this is done and the new hire is properly trained, fixed asset location changes and transfers will be reported to the inventory coordinator and entered on a timely basis. The \$500 minimum cost of special equipment (except certain items) will make the goal much easier to realize. We hope to have things operating smoothly in this area by January 1, 1989.

Person responsible: New Inventory Coordinator (supervised by Richard Ottoson)

#### INTERNAL CONTROLS OVER CONSUMABLE INVENTORIES NEED IMPROVEMENT.

##### RECOMMENDATIONS:

5. MCF-Red Wing should complete annual physical inventory counts or periodic spotchecks on a regular basis. The staff conducting the counts should be independent of the inventory areas. The results should be documented and material discrepancies investigated and reported to MCF-Red Wing management.

MCF-Red Wing staff responsible for maintaining inventory records should receive additional training and direction to become familiar with current institution policies for inventory recordkeeping.

RESPONSE: As stated in response to previous recommendations, we are in the process of reallocation and hiring of an inventory coordinator. When completed and the proper training has taken place, MCF-Red Wing will complete annual physical inventory counts or periodic spotchecks on a regular basis. Perhaps we will have to involve adult inmates in this process. The results of these counts and/or spotchecks will be documented and material discrepancies investigated and reported to MCF-Red Wing administration.

MCF-Red Wing staff responsible for maintaining inventory records will receive further training and direction to become familiar with state regulations and facility policies for inventory recordkeeping.

We hope to have these in place by January 1, 1989.

Person responsible: New Inventory Coordinator (supervised by Richard Ottoson)