

**DEPARTMENT OF CORRECTIONS  
THISTLEDEW CAMP  
FINANCIAL AUDIT  
FOR THE FIVE YEARS ENDED JUNE 30, 1990**

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**SEPTEMBER 1990**

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

**90-68**



# **DEPARTMENT OF CORRECTIONS THISTLEDEW CAMP**

## **FINANCIAL AUDIT FOR THE FIVE YEARS ENDED JUNE 30, 1990**

Public Release Date: September 21, 1990

No. 90-68

### **OBJECTIVES:**

- EVALUATE INTERNAL CONTROL STRUCTURE: Cash receipts, administrative expenditures, employee payroll, inmate payroll, social welfare transactions, and fixed asset inventory control.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

### **CONCLUSIONS:**

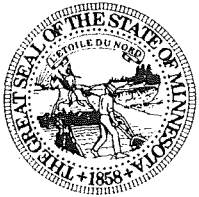
We found two areas where the internal control structure needed improvement:

- Internal controls over the social welfare accounts are inadequate.
- Employees do not document prior approval for working overtime.

We found that the camp had complied with finance-related legal provisions.

Contact the Financial Audit Division for additional information.  
(612) 296-1730





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Senator John E. Brandl, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Orville B. Pung, Commissioner  
Department of Corrections

Mr. Derwood Lund, Superintendent  
Thistledeew Camp

Audit Scope

We have conducted a financial related audit of Thistledeew Camp as of and for the audit period, July 1, 1985 to June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of Thistledeew Camp, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of Thistledeew Camp in effect at June 30, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of Thistledeew Camp are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Thistledeew Camp's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of Thistledeew Camp is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and

- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- cash receipts,
- administrative expenditures,
- employee payroll,
- inmate payroll,
- social welfare transactions, and
- fixed asset inventory control.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

#### Scope Limitation

We were unable to audit some fiscal year 1986 employee payroll and fiscal year 1988 inmate payroll transactions because financial records could not be located. Payroll documentation has been misplaced and it is presumed to have been destroyed. These records are necessary to verify payroll processing, posting and payments.

#### Conclusions

Our study and evaluation disclosed the conditions discussed findings 1 and 2 involving the internal control structure of Thistledeew Camp. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce

Senator John E. Brandl, Chairman  
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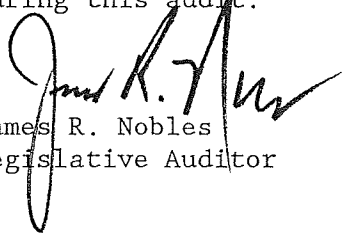
to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their functions. We believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of Thistledeew Camp at the exit conferences, held on June 27 and 28, 1990.

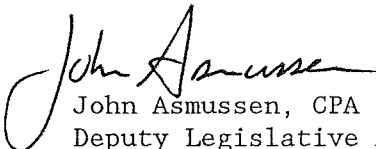
The results of our tests indicate that, with respect to the items tested, Thistledeew Camp complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe the Thistledeew Camp had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of Thistledeew Camp. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 21, 1990.

We would like to thank the Thistledeew Camp staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: June 28, 1990

REPORT SIGNED ON: September 12, 1990





DEPARTMENT OF CORRECTIONS  
THISTLEDEW CAMP

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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
Mary Annala	Auditor-in-Charge
Sonya Hill	Auditor
Joan Haskin, CPA	Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of Thistledeew Camp on June 27 and 28, 1990:

Derwood Lund	Superintendent
Jean Klatt	Business Manager
Roberta Cooke	Office Supervisor



DEPARTMENT OF CORRECTIONS  
THISTLEDEW CAMP

I. INTRODUCTION

Thistledew Camp provides an educational and confidence building outdoor survival program for young males (from 13 to 18 years old), who experience difficulties in their home, school, and/or community. The three month program is designed to enhance their self-confidence and self-image to eliminate further delinquent behavior when they return to their home, school, and/or community. All juvenile county courts within the state can refer juveniles to the camp delinquency prevention program. Thistledew Camp is located in the George Washington State Forest, 250 miles north of Minneapolis/Saint Paul, near Togo.

The camp provides educational resources and vocational exploration designed to meet the needs of individual students referred to the camp. The goal is to meet the academic needs of students continuing their high school education and to involve all students in prevocational and work skill programs at least 20 hours per week. The Challenge Program is designed to build self-confidence, develop leadership abilities, and teach the importance of teamwork.

Thistledew Camp is funded primarily through dedicated receipts obtained from per diem charges to counties and school districts. The counties and school districts are billed based on the number of days each student attends. The camp has an average population of 45 youths. It received a General Fund appropriation for repair and betterment of \$17,000 for fiscal year 1990.

Fiscal year 1990 receipts and disbursements as of June 30, 1990, were as follows:

<u>Receipts</u>	
Use of Facilities	\$1,090,369
Special Education	509,316
Social Welfare	40,546
Child Nutrition Program	36,688
Canteen	5,025
Vocational Education Grant	3,786
Total Receipts	<u>\$1,685,730</u>

<u>Disbursements</u>	
Personal Services	\$1,415,181
Expense and Contractual Services	60,574
Supplies and Materials	158,836
Capital Equipment	26,660
Social Welfare Expenses	35,827
Other Administrative Expenses	79,704
Total Disbursements	<u>\$1,776,782</u>

Source: Statewide Accounting System: Estimated/  
Actual Receipts Report dated July 2, 1990;  
Managers Financial Report dated July 2, 1990.

Note: Receipts do not include billings totaling \$121,170  
to counties for use of facilities as of June 1990.

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THISTLEDEW CAMP

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Internal controls over the social welfare accounts are inadequate.

Thistledew Camp does not adequately separate the accounting functions for the processing of social welfare receipts and disbursements. The office supervisor prepares receipt forms for money received, records the receipts in a journal, posts the receipts to the students' accounts, completes and signs the deposit slip, and reconciles the accounts at month end. She also posts withdrawals to the accounts, prepares and signs checks written from the fund, and reconciles the bank statement each month. The lack of a separation of duties increases the risk that an error or irregularity could occur and go undetected.

The business office does not reconcile the social welfare account to statewide accounting system (SWA) totals. During fiscal year 1989, the social welfare account had receipts of \$45,095 and expenditures of \$43,789. The business manager last completed a reconciliation form in April 1989, but the account did not reconcile. The amount recorded on the camp books was \$3,226 higher than the SWA amount. In August 1988, office staff increased the amount recorded on the inmate recreation account by \$2,634 to agree with SWA totals. However, this adjustment did not correct the difference. DOC-Central Office internal auditors reviewed and approved the adjustment. Corrections and Thistledew staff could not determine the reasons for the discrepancy. However, the camp has been unable to reconcile the account to SWA records since the adjustment. A reconciliation is necessary to ensure that all transactions are properly recorded, that all money is accounted for, and that the fund balance is correctly stated. DOC-Central Office needs to work with Thistledew Camp to reconcile the account to SWA totals.

Checking account payment documentation is inadequate. The authorized amount for the social welfare checking account is \$3,000. Office staff write checks for recreational activities and equipment. Checks are also written for purchases, such as clothing, requested by the individual students. For fiscal years 1986 to 1990, 9 of 15 payments tested did not have any supporting documentation on file. The nine invoices tested, which were not supported by documentation, totaled \$525. Two of the largest expenditures were \$125.62 and \$103.30 to stores in Hibbing. Supporting documentation, such as invoices or receipts, decrease the potential for impropriety and also provide an independent assurance that payments are for the correct amount.

RECOMMENDATIONS:

- Thistledew Camp should improve controls over the social welfare account by:
  - separating the duties for social welfare accounting;

DEPARTMENT OF CORRECTIONS  
THISTLEDEW CAMP

RECOMMENDATIONS (Continued)

- reconciling the social welfare account to SWA records each month; and
- maintaining adequate documentation for checks written.

2. Employees do not document prior approval for working overtime.

Staff regularly do not document advance approval of overtime and actual overtime earned. Many of the inmate activities require overtime by staff. The camp maintains a monthly work schedule providing employees with daily work assignments, which include overtime activities such as rock climbing, expedition and solo survival training. The schedule does not include all overtime activities and work schedule changes which affect employees who earn overtime.

The work schedule does not document the amount of employee overtime or compensatory time earned. Actual work hours may vary from the schedule due to weather conditions and other unanticipated factors. Employees record overtime and compensatory time earned only on their Biweekly Time Reports. During testing we found ten cases where employees earned up to eight hours of overtime which was not recorded on the monthly work schedule. The overtime earned is not supported by Request for Leave and Overtime form as required by Department of Finance. Without proper documentation, there is no assurance that the overtime was actually approved and earned.

Department of Finance Operating Policy and Procedure 07:04:22 requires agencies to approve a written request for overtime prior to an employee's working overtime. After the employee works the overtime, the hours are to be reported on a Request for Leave and Overtime form and also on the Biweekly Time Report. The camp should require supervisors and employees to document actual overtime hours during each pay period, rather than relying on memory to remember actual hours when completing biweekly time-sheets at the end of the pay period.

RECOMMENDATIONS

- Supervisors should document the approval of overtime in advance by properly recording overtime and compensatory time on the monthly work schedule.
- Employees should record the actual amount of overtime and compensatory time earned on Request for Leave and Overtime forms approved by supervisors, or accurately document actual hours worked on the monthly work schedule.

DEPARTMENT : Corrections - Thistledeew Camp

STATE OF MINNESOTA

## Office Memorandum

DATE : 9-5-90

TO : James R. Nobles, Legislative Auditor  
Veterans Service Bldg. St. PaulFROM : Derwood J. Lund, Superintendent  
Thistledeew Camp

PHONE : 218:376-4411

SUBJECT : Legislative Audit Report Response

The following actions will be implemented to comply with the recommendations presented in the audit report.

## A. Internal controls over the Social Welfare Accounts are inadequate.

## 1. Separate the duties for Social Welfare Accounting.

- (a). Office Services Supervisor, Roberta Cooke and Clerk Typist II, Carol Zallar will share the responsibility for writing receipts and for the recording of same in the journal. Further, they will also share the responsibility of posting the receipts to the students' accounts.
- (b). Ms. Cooke will complete and sign the deposit slips. Reconciliation of accounts at the end of each month will be shared with Ms. Zallar.
- (c). Posting withdrawals and the preparation and signing of checks written from the fund will be shared.
- (d). Ms. Cooke will reconcile the bank statement at the end of each month.
- (e). Accounting Officer, Jean Klatt will periodically monitor each of the above actions.

## 2. Reconcile the Social Welfare Account to SWA records each month.

- (a). Mr. Peter Maurer, DOC Accounting, will be requested to come to the facility to reconcile the discrepancy between the Social Welfare Account and SWA records. Mr. Maurer will be assisted in this endeavor by Ms. Cooke and Ms. Klatt.
- (b). Ms. Klatt will then reconcile the Social Welfare account to SWA records each month.
- (c). Ms. Cooke will periodically monitor this action.

3. Maintain adequate documentation for checks written.

- (a). No bills will be paid (or checks written) without proper receipts for documentation and filing.
- (b). Superintendent, Derwood J. Lund will monitor this action and will periodically review all other actions listed.

B. Employees do not document prior approval for working overtime.

1. Supervisors should document the approval of overtime in advance by properly recording overtime and compensatory time on the work schedule.

- (a). This will be accomplished in-so-far as is possible.
- (b). Superintendent Lund will monitor the schedule on an on-going basis.

2. Employees should record the actual amount of overtime and compensatory time on request for leave and overtime forms approved by supervisors, or accurately document actual hours worked on the monthly work schedules.

- (a). This will be accomplished through the use of request for overtime and compensatory time forms. It cannot always be in advance but will be followed up and documented at least after the fact.
- (b). Superintendent Lund and Ms. Klatt will monitor this action.

Other than the SWA reconciliation all actions will be implemented immediately. The SWA discrepancy will be expedited within 90 days. We expect that these action steps will bring the facility into compliance with statewide policy and procedure as recommended in the audit report.

DJL:rlc

cc: Warren Bartz, Audit Manager  
File