



Columbus Consolidated Government

Georgia's First Consolidated Government

Post Office Box 1340

Columbus, Georgia 31902-1340

John D. Redmond, CMA, CIA
*Internal Auditor /
Compliance Officer*

706 225-3110
FAX: 706 653-4970
jredmond@columbusga.org

INTERNAL AUDIT OF MUSCOGEE COUNTY PRISON SPECIAL FUNDS DRAFT DATE: JULY 24, 2014

AUDIT AUTHORIZATION

The City Council through Ordinance 390-10 on November 9, 2010 in response to a request for audit by former Mayor Jim Wetherington authorized special funds audit of Muscogee County Prison. The audit began March 12, 2014 during the administration of Mayor Teresa P. Tomlinson.

BACKGROUND/HISTORY

Muscogee County Prison (MCP) is located in the northeastern section of the county and houses approximately 576 inmates. MCP is contracted with the State of Georgia Department of Corrections (GADOC) for a maximum of 528 inmates. The remaining 48 inmate beds are allocated to county offenders. MCP employs approximately 112 people.

The MCP is led by Warden H. Dwight Hamrick and two Deputy Wardens, H. L. Covington (Administration) and S. J. Thomas (Security).

In addition to disbursements processed by Columbus Consolidated Government (CCG), MCP maintains five bank accounts at SunTrust Bank:

1. Employee Benefit Fund
2. Special Fees Fund
3. Travel Fund
4. Store and Recreation Fund
5. Inmate Trust Fund

Although each account has a specific source and use of funds, there are no written guidelines under which these accounts operate. Funds sources and disbursements, except for the Inmate Trust Fund, are entirely at the discretion of the MCP Warden.

The administrative office at MCP is responsible for the on-site accounting and banking operations for these five special funds. On-site accounting is limited and does not include accounts payable check processing or other financial processes performed by CCG finance department. The office is staffed by the Administrative Coordinator and two clerks.

AUDIT SCOPE

The audit scope is to address all aspects of the five special funds, including source of funds and disbursements; reconciliation of bank accounts; and reconciliation of inmate subsidiary account.

AUDIT PROCESS

The audit process began with the City Council's authorization. An entrance conference was held on March 12, 2014 with MCP Warden and key staff to gather information as to nature of the funds. The auditor explained the purpose of the audit and general description of the audit process that would include discussions with staff; and reviewing bank records, accounting software, accounting documents, and reports. The auditor also explained that field work would be performed on site. The Warden and attending staff were asked if there were additional areas that should be reviewed. No other areas for review were suggested. Following the field work, a draft report is presented to the Warden for review, discussion, and response. A final report including the departmental response is then prepared and distributed to the Warden, Mayor, and City Council concurrently. A presentation to City Council is scheduled to address any questions or concerns and to make the report available to the public. The auditor provides follow-up at a later date to insure that agreed upon recommendations have been implemented and are properly functioning.

A. GLOBAL VIEW OF ACCOUNTING SOFTWARE, PROCESS, AND BANK ACCOUNTS

FOCUS

The accounting software is the backbone of the accounting operations for processing funds received and disbursements. Additionally accounting software should provide useful management reports to assist management in effective decision making.

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed the accounting software; check writing software; check writing stock; paid invoices; bank statements; bank reconciliations; account signature cards; and observed staff procedures and work.

FINDINGS

The current accounting software is Quicken 2009; however, Quicken is not used for any purpose other than to process checks. The Quicken data files are backed-up daily to a hard drive which remains on the premises. Management reports are not created for review of receipts and/or disbursements and thus management's oversight is limited for these five accounts. Because management does not review financial information, classification of disbursements is inconsistent and descriptions of disbursements are limited or non-existent.

Deposits tickets are dated when prepared however, the deposits are recorded in Quicken with the actual date of deposit to bank and the date written on the deposit ticket is recorded as a memo in Quicken; however frequently even these dates do not correspond. There are consistent and frequent delays in making deposits to the bank since banking is done on a sporadic basis.

There is no formal or consistent process for approving invoices for payment. Invoices are handed to the Administrative Coordinator for payment. The only payment authorizing procedures are initials on an invoice and that process occurs infrequently. Checks are written by the Administrative Coordinator and presented to the signers for signatures. Checks are usually signed by two people. Check number and date is usually notated on invoice. Amount of the check is not notated on invoice and sometimes the amount of the check written is not obvious. Since the purpose of expenditure is not notated on invoice, it is frequently difficult to determine what was purchased or why after the fact. Timeliness is also a factor in preparing disbursements.

Checks are printed on an as needed basis. There is not a schedule for check processing. Check stock is blank specialty paper which is used to print 3 checks per page. Checks are printed using the Versacheck-X1 (2011) software for Employee Benefits Fund; Travel Fund; Store and Recreation Fund; and Special Fees Fund. Inmate Trust Fund uses a proprietary check printing system from Stewart Distribution, which is the vendor providing commissary items for the inmates. The Stewart system uses blank 3-part check stock of one check per page with 2 stubs. Using blank check stock with the Versacheck system allows for check numbers to be duplicated or skipped. The Stewart check printing system does not allow for check number duplication; however it does allow for the re-printing of a check. Additionally, check numbers are frequently out of sequence with dates.

Without a check stub there is no physical record of check unless a photo copy is made for documentation. Photo copies are typically not made unless a copy is needed for reimbursement from another source such as CCG for inmate travel, gratuity payments etc., or it is needed for another MCP intra-company transaction.

Bank reconciliations are usually performed in a timely manner and date is noted on bank statement envelope. The bank statement is open and reconciled by the Administrative Coordinator. Bank statements include small check images. Although the bank reconciliation is prepared, stale dated checks (checks over six months old) are not reviewed and voided in a timely manner. There is no apparent management oversight or review of bank records. The reconciliation is not reviewed by management nor does management review the bank statements.

A transaction list is printed at the end of the month which should include all transactions for the month, however some months the transaction list does not include bank service charges because the list is printed before the service charges are recorded. Additionally, dating of service charges and other non-standard items are arbitrarily dated and do not match bank transaction date or a logical end-of-month date.

At the end of the month, all documentation for the bank account including validated deposit receipts; paid invoices; bank statement; transaction list; and bank reconciliation are placed in a large clasp envelope that is notated with month, year, and bank account name.

The auditor noted that three of the five bank accounts were subject to bank service fees. The combined bank service fees for 2013 were over \$1,600.

Amount in 2013	Bank Account
\$0.00	Employee Benefit Fund
\$311.42	Special Fee Fund
\$132.00	Travel Fund
\$0.00	Store and Recreation Fund
\$1,241.01	Inmate Trust Fund
\$1,684.43	Total Bank Service Fees paid for 2013

The auditor noted that MCP did not consistently take advantage of the sales tax exemption available. Most purchases through established vendor accounts were sales tax exempt, however many receipts from vendors such as Sam's Club, Verizon, Hobby Lobby, Winn-Dixie, and others showed sales tax paid.

The auditor noted that travel expense reimbursement for employee related trips was not reimbursed according to CCG policy and guidelines. Travel Justification Forms and Expense reports were not completed. Travel expenses, including food and gas, were reimbursed based upon submitted receipts without an expense report.

Generally the funds are used in a manner that adheres to the intent of the fund; however there are exceptions which will be demonstrated in the narrative related to each individual fund.

GLOBAL RECOMMENDATIONS WHICH COULD APPLY TO ALL FUNDS

Management Review

To improve management oversight, management should review monthly reports of activity in the bank accounts. With management review comes the necessity for consistent classification and complete descriptions of the disbursements.

Sales Tax Exemption Not Applied

Sales Tax Exemption should be consistently applied.

Bank Service Charges

The bank accounts should be structured to reduce or alleviate bank service fees. This may require change of account type, increasing balances in the bank account, or changing banks.

Documentation and Disbursement Approval Process

A formalized approval process for check disbursement is needed. A check request form should be used to include, at a minimum, date of request, requestor, vendor, purpose of request, and amount. Disbursements should be reviewed for adherence to established disbursement account policy and guidelines for MCP and CCG.

The current checks do not provide a physical record of the checks written. A 3-part check similar to the one currently used for the Stewart system would provide a physical record without any

additional effort. The top stub is the check for the payee, the middle stub would be attached to the invoice for check documentation, and the bottom stub would be filed in a chronological file box.

Bank Reconciliation Process

The purpose of a bank reconciliation is to detect discrepancies and irregularity in both the bank account and accounting records. However without proper controls, bank reconciliations are limited as a tool. Segregation of duties and management oversight are important ways to deter improper banking activities. The bank statements should be opened and reviewed by management. This review should include not only the balances on the statements, but also a review of all check images for payee, amount, date, signatures, and endorsement. Once the statement has been reconciled, management should review the reconciliation; and initial and date the final review.

Stale Dated Checks

During the bank reconciliation process stale dated checks should be voided and appropriate adjustments made to the account.

Travel Expense Reimbursement

Travel related expenses should be reimbursed according to CCG policy and standards using appropriate forms and through CCG bank accounts.

Policy Guideline and Procedure/Training Manuals

Written policies should be developed for each of the fund. These policies should include purpose of account, source of funds, and disbursement guidelines. Procedure manuals should also be developed to document duties and responsibilities, promote consistency of job functions, and to provide a resource for cross-training.

Off-Site Data Back-up

A back-up of the computer is performed daily however there is significant exposure to loss because the data is stored on-site on a hard-drive. CCG IT should be contacted to develop a solution for a more secure data backup plan.

Training of Staff

Cross-training staff is essential to ensure consistency of the accounting process in case of the absence of a key staff member. The current Administrative Coordinator has a thorough understanding of current office procedures however her accounting knowledge is limited. The two current clerks have limited knowledge about procedures outside their current job responsibilities. The staff should be more fully cross-trained. Adequately cross-trained staff promotes consistency and reduces problems in the case of an extended absence of the Administrative Coordinator. Cross-training can be effectively accomplished a little at a time by incorporating opportunities to understand and learn different job responsibilities.

B. EMPLOYEE BENEFIT FUND

FOCUS/DESCRIPTION OF FUND

Money from the sale of recycleables and vending commissions are used to pay for employee social activities and events not related to CCG functions. Recycle sales include aluminum cans, pallets, and waste cooking oil. Vending commissions are from the soft drink and snack vending machines located in the inmate visitation room. Disbursements for activities and events include holiday and birthday parties; employee appreciation events; and flowers for illness, death, etc.

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed account signature card, bank statements, bank reconciliations, deposit tickets, and disbursements for the account for the period January 2013 through March 2014. The auditor requested and received a download of Quicken to an Excel file for the same period. The Excel file was reviewed for items that may not have been included in documents that were available for review.

FINDINGS

This account has been operating under CCG's tax id number. This account does not belong to CCG and is not used for CCG purposes, thus should not be associated with CCG's tax id number. Many purchases made from this account (florist, trophy shop, etc.) have been made using CCG sales tax exemption. This account should not be linked to CCG's tax id number and purchases made from this account are not entitled to sales tax exemption.

The majority of receipts for recycle of pallets are missing. The auditor also noted that receipts from recycle of aluminum cans appeared low given the number of machines and volume of sales. Since that is not a CCG account, the auditor did not follow up on recycle receipts.

Commissions from the quasi-public vending machines in the inmate visitation room have traditionally been used as the main source of funding for this account. Vending commissions represent approximately 78% of total receipts for this account (see chart below). The issue has been raised by CCG Finance Department that the vending commission should be considered public money because of the location of the machines and be used for CCG purposes and not to benefit employees through the Employee Benefit Fund.

Receipts for Year 2013		
Description	Amount Received	% of Receipts
Pepsi Commissions	\$5,323.60	58.22%
Coca Cola Commissions	\$1,794.92	19.63%
Pallets	\$876.41	9.58%
Recycle – Non-specific	\$793.85	8.68%
Cooking Oil	\$252.17	2.76%
Aluminum Cans	\$102.72	1.12%
	\$9,143.67	100.00%

Gift cards are purchased as door prizes for employee appreciation activities and as recognition for employee quarterly awards. Winners of the gift cards do not sign for the cards and there are no records maintained of gift card purchases and recipients.

The auditor noted that travel expense reimbursement for employee related trips was paid through this fund. Travel related to CCG functions should not be paid from this fund. Furthermore, travel reimbursement as currently reimbursed does not follow CCG policy and standards. Travel Justification Forms and Expense reports were not completed. Travel expenses, including food and gas, were reimbursed based upon submitted receipts without an expense report.

The auditor noted that desk chairs for employees were purchased through this account. Desk chairs for employees should be classified as a purchase related to CCG functions and this account should not be used to purchase items related to CCG functions.

**RECOMMENDATIONS SPECIFIC TO THIS ACCOUNT
(OTHER THAN THOSE NOTED IN SECTION A)**

Bank Account Status

The Employee Benefit Fund should be established under its own id number and not be linked to CCG.

Not Sales Tax Exempt

Purchases should not be made using CCG sales tax exemption.

Gift Card

Records should be maintained of gift card purchase and recipients.

Vending Commissions

The location of the vending machines should be evaluated and a determination made by the appropriate parties to the proper allocation of vending revenue.

C. SPECIAL FEES FUND

FOCUS/DESCRIPTION OF FUND

Fines and fees charged to inmates are used to supplement MCP budget for miscellaneous items. Funds sources include:

- Non-emergency medical co-pay (\$5.00)
- Monthly administration fee for servicing inmate fund (\$1.00 per inmate account)
- Fines for Disciplinary Report (DR) if found guilty at in-house court hearing (\$4.00)
- Cell phone possession fine (\$100.00)
- ID replacement fee (\$5.00)
- Contraband money
- Unclaimed coins found in visitation room

Disbursements encompass the following (but not limited to):

- Car wash supplies and vehicle window tint
- Cleaning supplies including latex gloves and trash bags
- Purchase and repair of floor buffers
- Small appliances (microwave, refrigerators, etc.) for employee use
- Equipment maintenance and repair (including laundry and kitchen)
- Office supplies
- Operating supplies (including locks and keys)
- Special gear and equipment
- Travel/Conference Expenses

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed account signature card, bank statements, bank reconciliations, deposit tickets, and disbursements for the account for the period January 2013 through March 2014. The auditor requested and received a download of Quicken to an Excel file for the same period. The Excel file was reviewed for items that may not have been included in documents that were available for review.

FINDINGS

The Special Fees Fund contained no major issues other than additional travel reimbursements as previously discussed in Employee Benefits Fund.

Bank service charges are levied on this account. Bank service charge for 2013 was \$311.42.

A few disbursements should be reviewed for compliance to CCG policy. The auditor noted that 10 long-sleeved polo shirts, 1 sweater vest, 1 pullover wind vest, 3 tactical pants, and 1 tactical vest was purchased during the period reviewed. The issue is whether these purchases for individuals conflict with the current uniform reimbursement policy. An expense for reimbursement for a personal warehouse club membership (Sam's Club) was noted by the

auditor. Purchasing supplies from Sam's Club is a legitimate source of cost savings for MCP; however the issue is whether a personal membership for an individual is appropriate or should a membership be purchase in the name of MCP.

**RECOMMENDATIONS SPECIFIC TO THIS ACCOUNT
(OTHER THAN THOSE NOTED IN SECTION A)**

None

D. TRAVEL FUND

FOCUS/DESCRIPTION OF FUND

The State of Georgia Department of Corrections (GADOC) provides bus tickets to released state indigent inmates to their new living location. The GADOC reimburses MCP via CCG accounting department. This account is the pass through account for the purchase of bus tickets.

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed account signature card, bank statements, bank reconciliations, deposit tickets, and disbursements for the account for the period January 2013 through March 2014. The auditor requested and received a download of Quicken to an Excel file for the same period. The Excel file was reviewed for items that may not have been included in documents that were available for review.

FINDINGS

This account has been subject to bank service charges. Bank service charge for 2013 was \$132.00. In the year 2013, the Travel Fund was reimbursed by Inmate Store and Recreation Fund \$106.00 for bank service charges. Additionally \$300.00 was transferred into Travel Fund from the Store and Recreation Fund in an effort to bring balance to \$1,500 to prevent further bank charges. However due to timing issues, this additional money did not prevent future bank service charges.

Bus Ticket Purchase Procedures

The current transportation provider for released inmates is Greyhound Lines. Once the inmate has been scheduled for release and approved for bus travel the process is as follows:

- The Administrative Coordinator goes online to the Greyhound webpage and reviews schedule and fares.
- The Administrative Coordinator makes a check payable to Greyhound for the fare plus a ticket fee of \$2.50.
- The check is signed by an authorized signer of the account.
- An MCP officer takes the check and goes to the Greyhound station located at 818 Veterans Parkway (Columbus) to purchase the bus ticket. If the ticket is not pre-purchased the day before, tickets are frequently unavailable on day of departure.

- The Greyhound ticket clerk makes a copy of the ticket which is given to the Administrative Coordinator.
- Bus ticket is filed with the inmate's file until day of travel.
- On day of release, the inmate is escorted to the bus station by an officer who remains with the released inmate until he boards the bus.
- If the inmate does not use the bus ticket, an MCP officer must return to the bus station to receive a cash refund.
- If a refund is received, the Administrative Coordinator must match the refund to the inmate ticket and process the deposit.

Processing Bus Ticket Reimbursement

At the time of the bus ticket purchase the bus ticket cashier makes a copy of the bus ticket, check, and inmate release information sheet. This copy is then given to the Administrative Coordinator. A copy is later provided to the clerk.

After the 1st of the next month, the Administrative Coordinator prepares a transportation report. This report contains inmate name, file number, date of release, and amount of bus ticket. The Administrative Coordinator also generates a report from the Quicken accounting system listing inmate's name, date, check number, and amount. The 2 reports, transportation report and Quicken report, are matched and are given to the Account Specialist.

The clerk then matches the copies of the bus tickets to the reports. The clerk enters payment information into CCG Advantage PO system which generates a PO number. A CCG General Accounting Expenditure Cover Sheet is prepared and sent to CCG accounting with copies of the bus ticket documentation. A copy of this submission is also sent to GADOC and a copy of the submission is retained in the MCP files.

Processing Clothing Reimbursement

Upon release indigent State of Georgia inmates are given new clothes provided by a contracted supplier. The clothing allowance is \$50.00 in warmer weather and \$65.00 in cooler weather in order to provide a lightweight jacket.

After the 1st of the next month, the Administrative Coordinator prepares a clothing report of released inmates that received clothes. This report contains inmate name, file number, date of release, and cost of the clothes purchased. The clothing report is given to the clerk. The clerk then compares the clothing report to the invoice submitted by the vendor. The release date and inmate file number is handwritten on the invoice by each inmate's name.

The clerk enters payment information into CCG Advantage PO system which generates a PO number. A CCG Purchase Order Cover Sheet and Only Known Source Justification is prepared and submitted to CCG accounting with clothing report and modified vendor invoice. A copy of this submission is also sent to GADOC and a copy of the submission is retained in the MCP files.

CCG accounting then sends a Purchase Order to MCP which indicates that the invoice is accepted. The clerk validates the PO in the Advantage system which then generates an RC

number which is recorded on the copy of the submission retained by MCP. The vendor is paid by CCG accounting.

Reimbursement from GADOC for Bus Tickets and Clothing

The bus ticket reimbursement submission and clothing reimbursement submission are sent to GADOC together. GADOC sends MCP one check for both reimbursements. This check is matched to both reports and then a CCG Miscellaneous Receipt is prepared and sent with the GADOC check to CCG accounting. A copy of the check and Miscellaneous Receipt is attached to the submission retained by MCP.

CCG accounting then pays the clothing vendor directly and issues a check to MCP for bus ticket reimbursements. The Administrative Coordinator received the check and deposits it into the bank. A copy of the GADOC check is maintained with the monthly bank file. A copy of the bus ticket reimbursement check from CCG is not maintained with the submission file.

**RECOMMENDATIONS SPECIFIC TO THIS ACCOUNT
(OTHER THAN THOSE NOTED IN SECTION A)**

Documentation of CCG reimbursement

A copy of the CCG bus ticket reimbursement check should be maintained with the submission file.

Greyhound Lines Account Option

There is an opportunity for improving the process for purchasing Greyhound bus tickets. Most (if not all) State of Georgia prisons have established an account with Greyhound which streamlines the ticket purchase and refund process. MCP will be allowed to piggy back on the GADOC master agreement and receive the benefit of reduced fees. However the account is an individual prison account; established using a MCP credit card; and is not billed to the GADOC.

Tickets may be pre-purchased online and does not require an MCP officer to pick-up the ticket at the Greyhound bus station the day before release of the inmate. Cancellations of a ticket not picked up may be done on line. There is a service charge of \$5.00 to purchase the ticket online. The \$5.00 service fee would be an increase of \$2.50 over the current service fee of \$2.50. Any service fee paid will be reimbursed by GADOC.

The benefits of using the online account are severalfold. Using a Greyhound account eliminates the amount of time the Administrative Coordinator spends pricing ticket fares, processing the check through Quicken, and obtaining a signature on the check. In 2013, 135 checks were written to Greyhound Lines. In addition to writing the checks the Travel Fund requires monthly bank reconciliations.

The current method of pre-purchasing a bus ticket or refunding a ticket requires an MCP officer away from the facility and the use of a MCP vehicle. Using the online ticket purchase will eliminate this expense. This is a benefit to MCP as the GADOC does not reimburse MCP for officer time and travel expense to purchase or refund tickets.

Currently, refunds of tickets require that an MCP officer return to the bus station to cash out the unused ticket. The cash is given to the Administrative Coordinator who must research the ticket refund to identify the original purchase documentation. The deposit must be processed and recorded to Quicken.

E. Store and Recreation Fund

FOCUS/DESCRIPTION OF FUND

The stated intent of this fund is for the use and benefit of the inmates. Commissary sales commission funds this account. The Store and Recreation Fund provides enrichment opportunities for the inmates, which includes educational materials, recreational activities, and snacks. These disbursements include subscriptions to newspapers; satellite TV; sports and exercise equipment; and snacks/food items e.g. popcorn, Christmas baskets, etc.

Upon release indigent State of Georgia inmates are given a \$25.00 gratuity check and the Store and Recreation Fund bank account is used as the pass through account. The GADOC reimburses MCP via CCG accounting department.

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed account signature card, bank statements, bank reconciliations, deposit tickets, and disbursements for the account for the period January 2013 through March 2014. The auditor requested and received a download of Quicken to an Excel file for the same period. The Excel file was reviewed for items that may not have been included in documents that were available for review.

FINDINGS

Store and Recreation Fund contained issues regarding compliance to policy and appropriateness of use of funds.

Occasionally, inmates that are scheduled for release are not released, but are transferred wearing street clothes provided by clothing vendor; however GADOC will not reimburse MCP for these clothes. Since GADOC will not pay for these clothes, MCP must pay the vendor. Clothes not reimbursed by GADOC are paid from the Store and Recreation Fund. The auditor was informed that measures have been taken to correct this problem.

For the period 1/1/2013 through 3/26/2014, approximately \$76,000 was disbursed from the Store and Recreation Fund not including sales tax payments, purchase of vending products, or inmate gratuity checks (see table below). Most expenses are within the stated intent for this account. Approximately 80%, (\$60,859) was disbursed for the benefits of inmates; however the direct benefit to the inmates for remaining 20% (\$15,238) is subject to interpretation. The purchase of pepper spray, stools for guard towers, pest control, and kitchen equipment among other disbursements should be evaluated by the guidelines and stated purpose of this account.

**Disbursements from Store & Recreation Fund
(excluding sales tax, gratuity checks, vending products)
Period January 1, 2013 through March 26, 2014**

	Amount	Percentage
Disbursements Meeting Guidelines		
Satellite TV	7,744.12	
Medical/Dental Equipment & Repairs	7,224.16	
Barber Supplies	6,806.03	
Newspaper	6,732.36	
Education	6,444.02	
Food /Snacks	5,587.31	
Supplies (soap/shampoo/snacks/toilet paper)	4,709.29	
Inmate ID Badge	3,549.25	
Post Office Box (also used for MCP mail)	2,358.00	
Sports Equipment	2,339.40	
Bank Charges	2,221.04	
Postage	1,553.26	
Office Supplies	1,366.46	
Blankets & Shoe Insoles	943.17	
Coolers	609.85	
Laundry Stencils	390.92	
Unreimbursed Clothing by the State of Georgia	280.00	
	60,858.64	79.98%
Disbursements for Review		
Kitchen Equipment	6,917.52	
Cleaning Supplies	4,438.16	
Drug Kits, Scale, & Pepper Spray	1,025.21	
Pest Control	1,022.42	
Laundry Bin Liners	817.77	
Administrative Supplies	642.84	
Guard Stools (2)	374.25	
	15,238.17	20.02%
Total	76,096.81	100.00%

Processing Gratuity Check Reimbursement

The Administrative Coordinator is provided daily information regarding release of inmates and the need for a gratuity check. A copy of the inmate's release order is maintained in a file with a copy of the check.

After the 1st of the next month, the Administrative Coordinator prepares a gratuity check report. This report contains inmate name, file number, date of release, and amount of gratuity check. A report of released inmates that did not receive gratuity checks is also prepared which includes reason for non-payment. These 2 reports are then matched to the Departed Offenders – GDC Movement Detail Report provided by GADOC.

The Administrative Coordinator also generates a report from the Quicken accounting system listing inmate's name, date, check number, and amount. The 2 reports, gratuity check report and Quicken report, are matched. Copies of checks and inmate release orders are attached to reports and submitted to GADOC for reimbursement via CCG. A copy of the submission is retained and matched to check and attached as documentation to the deposit ticket.

RECOMMENDATIONS SPECIFIC TO THIS ACCOUNT (OTHER THAN THOSE NOTED IN SECTION A)

None

F. INMATE TRUST FUND

FOCUS/DESCRIPTION OF FUND

Personal funds of inmates are maintained by MCP to facilitate purchases by inmates from Stewart Distribution (commissary), Union Supply (mail order), and Bealls Communications (phone minutes). Funds are received by inmates through work activities sponsored by CCG; money orders sent via U.S. Postal Service; and transfer of funds from other prison facilities. Funds are not accepted by any other method. Inmates may only receive money orders from individuals approved and on the inmate's visitation list.

AUDIT PROCESS

The auditor spoke with MCP management and staff; reviewed the accounting software; check writing software; check writing stock; paid invoices; bank statements; bank reconciliations; account signature cards; and observed staff procedures and work. The auditor also was granted to access to Stewart Distribution software (Cactus) and reviewed inmate trust subsidiary account.

FINDINGS

Bank Service Charges

This account has been subject to bank service charges. Bank service charge for 2013 was \$1,241.01. The bank charges in this account are reimbursed by Inmate Store and Recreation Fund.

Inmate Access to Vendors

Inmates have access to a kiosk provided by Stewart Distribution. The Stewart kiosk allows inmates to check their individual account balances and order items from Stewart Distribution. Items order by midnight Wednesday will be delivered on Friday. Items include food, snacks, and chips; beverages (including sodas and coffee); greeting cards and writing materials; underwear and shoes; hygiene products; and other miscellaneous items. Inmates do not have immediate access to any other commissary. Also using the Stewart system inmates can purchase phone minutes from Bealls Communication.

Inmates have access to a paper catalog from Union Supply. The inmates may make purchase from Union Supply by completing a request form and forwarding to MCP administration. Inmates can also request disbursement of funds to individuals on the visitation list.

Inmates are not allowed to reduce their balance below \$10.00; however some inmate balances that were transferred in September 2013 from the previous system are below \$10.00. Also, MCP may not withdraw any funds for charges that would reduce an inmate's account below \$10.00. Charges for medical fees, disciplinary report fines, ID replacement fees, etc. are recorded to the account and as funds become available the charges are paid to MCP.

Stewart Distribution (Cactus)

Prior to September 2013 Quicken was used for recording checks and deposits for the Inmate Trust Fund. The change from Oasis Management Systems to Stewart Distribution as the commissary vendor in September 2013 provided many benefits, including better tracking of inmate balances with an integrated banking function which eliminated the need for Quicken.

Stewart Distribution software, named Cactus, provides comprehensive accounting and banking software. Checks and deposits must be recorded in Cactus to facilitate tracking inmate balances. Checks for the Inmate Trust Fund are written using Cactus and different check stock than that used for the Versacheck-X1 (2011) which is used for the other bank accounts.

The auditor noted several areas in reconciling and posting items in Cactus that the MCP staff would benefit from additional training. Additionally, several small adjustments were identified that should be made to the Cactus account.

Approximately 1,000 checks and 350 deposits were recorded in 2013. Currently the checks and deposits are processed through Cactus and then re-entered into Quicken as a backup. In addition to duplicating the recording of checks and deposits, the Quicken account must also be reconciled. It is understandable to run a parallel system for a few months until all the bugs of the new system have been corrected. At this point however, (11 months later) Quicken should no longer be used as a backup system for the Inmate Trust Fund. Running a parallel system represents a huge investment of time for a duplication of process that Cactus provides without problems.

Posting of Inmate Money Orders and Inmate Transfer Checks

All mail is received in the MCP mailroom. Money orders for the inmates are removed from the envelope and recorded on a list. The envelope that contained the money order is stamped with the notation that includes the date, "YOU HAVE RECEIVED A MONEY ORDER IN THE AMOUNT OF \$XX.XX" and given to the inmate. The list with the money orders and transfer checks are forwarded to MCP administrative staff. The money orders and transfer checks are posted into the Cactus system. Occasionally there are balancing errors in posting. It should be noted that the primary individual responsible for posting the money orders and transfer checks does not have a calculator on her desk. Any balancing errors are corrected by the Administrative Coordinator. The deposit is prepared by photocopying all the money orders and transfer checks and given to the Administrative Coordinator for recording and banking.

Posting of Inmate Wages

Inmates who work on garbage trucks, at the landfills, or at the golf courses, and other areas receive pay. Wages are paid weekly through CCG accounting department. MCP is responsible for posting the earned wages to the inmate's individual trust fund account. The wage reports are generated by the employing department. The inmate wage reports are usually hand written; messy; hard to read; and frequently contain summation errors (see attached example). Summation errors occur when the line item total of wages do not equal the amount of the attached check. The reports are not proofed by CCG accounting before the check is cut. When errors occur the Administrative Coordinator must find the error and then contact the employing department and CCG accounting to resolve the difference. Not only is this a time consuming process, but creates timing differences that must be carried and reconciled in the bank balance. MCP staff typically spends 4-6 hours to post one deposit and that does not consider the additional time required (by multiple individuals in various departments) to correct frequent summation errors.

Posting Timelessness

Frequently inmate wages are reported and posted after an inmate has been released or transferred. There is a timeliness issue in processing the monies due to the released or transferred inmates.

Fees for non-emergency medical co-pay (\$5.00); monthly administration fee for servicing inmate fund (\$1.00 per inmate account); fines for Disciplinary Report (DR) if found guilty at in-house court hearing (\$4.00); cell phone possession fine (\$100.00); and ID replacement fee (\$5.00) are charged to inmates' accounts. These funds are payable to MCP and are deposited into the Special Fees Funds. These funds are not transferred on a scheduled basis.

Payout of Inmate Balances

The inmate's balance is paid out when an inmate is transferred to another facility or released. If inmate is transferred, a check for the inmate's balance is mailed to the receiving facility. If the inmate is released, the inmate is given a check upon his release for the amount of his balance. This creates an issue of many uncashed checks for small dollar amounts.

Stale Dated Checks

The removal of stale dated checks is a significant issue in this account. As of 4/7/2014, 122 checks dated from 6/24/2011 through 12/31/2013 were outstanding. As noted in the table below, 71% of the checks outstanding were payable for less than \$10.00 but only totaled 25% of the money outstanding. These checks represent inmate balances that were paid to the inmates upon release. Many of the small checks are never cashed.

Year	Total		Checks under \$10.00		Check \$10.00 & over	
	# Checks	\$ Total	# Checks	\$ Total	# Checks	\$ Total
2011	21	\$194.94	15	\$31.87	6	\$163.07
2012	46	\$345.25	33	\$79.32	13	\$265.93
2013	55	\$395.10	39	\$125.39	16	\$269.71
Total	122	\$935.29	87	\$236.58	35	\$698.71
Percent	100.0%	100.0%	71.3%	25.3%	28.7%	74.7%
Average		\$7.67		\$2.72		\$19.96

Inmate Trust Subsidiary Account Reconciliation

The Inmate Trust Fund bank account at SunTrust Bank is reconciled on a monthly basis however; the Inmate Trust Subsidiary Account had not been reconciled in years. The Inmate Trust Subsidiary Account is the total of all the individual inmate balances. The subsidiary account represents fiduciary money that is held in trust. Although the amounts for each inmate account are small, it is trust money and requires the strictest duty of care in the eye of the law.

The auditor took it upon herself to reconcile the Inmate Trust Subsidiary Account to the Cactus account and to the SunTrust bank account. The starting point for this 3-way reconciliation was the transition date from Oasis Management Systems to Stewart Distribution, which is September 2, 2013. The reconciliation was carried forward to March 31, 2013. The Inmate Trust Subsidiary Account was reconciled satisfactorily and appears that current inmate's balances are accurate. When reconciling the Inmate Trust Subsidiary Account to the amount in SunTrust bank account, it was determined that there is an unidentified overage of \$7,405.25 as of 9/3/2014. The overage is probably the culmination of many years of small reconciling errors and inmate balances never distributed. At this point in time, records do not exist that would assist in determining the source of this overage.

**RECOMMENDATIONS SPECIFIC TO THIS ACCOUNT
(OTHER THAN THOSE NOTED IN SECTION A)**

Inmate Trust Subsidiary Account Reconciliation

As previously discussed, the account balances represented by the Inmate Trust Subsidiary Account are fiduciary funds and as such monthly reconciliation is a minimum requirement to meet the standard of care required to meet fiduciary responsibly.

Unidentified Funds Overage in Inmate Trust Fund (Bank Account)

The balance of \$7,405.25 should be removed from the Inmate Trust Fund bank account and transferred to the Store and Recreation Fund for the benefit of the current inmates.

Stale Dated Checks

The stale dated checks need to be voided and the balances reinstated in the Inmate Trust Subsidiary Account. The whereabouts of these individuals who have balances need to be determined and payment forwarded to these individuals. As a practical matter, when reviewing these accounts, a consideration to time expended verses the amount of the credit balances must be given. An option may be to establish a threshold of any amount less than \$10.00 may be automatically forfeited without any further effort. Normally unclaimed funds must be escheated to the state.

In an effort to reduce the problem of stale dated checks in the future, a check-to-cash exchange system could be implemented. An impress petty cash fund could be maintained on hand to cash-out an inmate's check under \$50.00 upon his release. Paying out inmates upon release would significantly reduce the number of stale dated checks that would need to be voided and reinstated to the trust fund balance. Furthermore, reissuing stale dated checks with such nominal amounts would probably result in the reissued check becoming stale dated as well.

Inmate Trust Fund Account Balance Checks Written to Released Inmates for Year 2013

Check Range	Total Number of Checks	Total Amount of Checks	Number Outstanding Checks	Total Amount of Outstanding Checks	Percent Outstanding by Check Range
\$ 0.01 – \$ 4.99	74	\$162.85	30	52.52	40.5%
\$ 5.00 – \$ 9.99	54	\$388.41	8	65.26	14.8%
\$ 10.00 – \$ 24.99	140	\$2,043.40	13	177.75	9.3%
\$ 25.00 – \$ 49.99	84	\$2,780.27	1	27.00	1.2%
\$ 50.00 – \$ 99.99	67	\$4,580.22	1	52.96	1.5%
\$ 100.00 – \$ 249.99	33	\$5023.51	0	0	0.0%
\$ 250.00 – \$ 999.99	23	\$10,595.21	0	0	0.0%
\$ 1,000.00 – \$3,562.70	6	\$10,637.38	0	0	0.0%
	481	\$36,211.28	53	375.49	

Timeliness of Processing Released/Transferred Inmate Account Balances for Funds Received After Release (Inmate Wages)

Many of the stale checks were for wages paid after the inmate was released. Reports of released or transferred mates should be compiled and the funds forwarded to the inmate on a monthly basis. Timely paying of these funds will also help reduce the problem of stale dated checks as it is more likely that released inmate addresses change and mail is not forwarded as time progresses.

Timeliness of Re-payments to MCP from Inmates Trust Fund Account

These funds should be transferred on a monthly basis at the end of the month.

Posting of Inmate Wages

Stewart offers a service at no charge that would allow uploading of inmate wages via an Excel Spreadsheet. Instead of handwriting a time sheet, the employing department (e.g. sanitation department) would record the hours worked on an Excel spreadsheet. A master worksheet (see attached example) could be designed to facilitate the recording of hours by the employing

department. This would eliminate hours of posting and reconciling inmate wages sheets, as well as, reduce if not eliminate summation errors.

Money Order and Transfer Check Posting

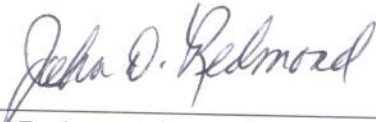
A desk calculator for the clerk responsible for posting money orders and transfer checks would facilitate the posting and balancing process and relieve the Administrative Coordinator of correcting these errors.

Dual systems – Quicken and Cactus

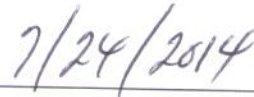
Quicken should no longer be used for the Inmate Trust Fund. This represents a huge investment of time for a duplication of process that Cactus provides without problems.

Training Issues with Cactus

These issues have been discussed with MCP management.



John Redmond, Internal Auditor & Compliance Officer



Date