

NEVADA LEGISLATURE

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND
AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 1978



LEGISLATIVE AUDITOR
CARSON CITY, NEVADA

68065

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

68065
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TABLE OF CONTENTS

ACQUISITIONS

	<u>Page</u>
Scope and Opinion.....	10.1
Summary of Recommendations.....	10.4
Financial Statements	
Prisoners' Store Fund	
Balance Sheet.....Exhibit A...	10.7
Statement of Operations and Change in Fund Balance.....Exhibit B...	10.8
Prisoners' Personal Property Fund	
Balance Sheet.....Exhibit C...	10.9
General.....	10.10
Prisoners' Store Fund.....	10.10
Prisoners' Personal Property Fund.....	10.10
Accounting.....	10.12
Prenumbered Receipts.....	10.12
Removal of Stale Checks.....	10.12
Timely Review of All Bank Accounts.....	10.13
Club Trust Fund Checks.....	10.13
Savings Bonds Held in Safekeeping.....	10.14
Extending Invoices.....	10.15
Documentation of Inventory Procedures.....	10.15
Recording Cash Withdrawals.....	10.16
Agency Computer Software.....	10.17

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Internal Control.....	10.18
Receiving Prisoners' Store Goods.....	10.18
Hobby Shop Transactions.....	10.18
Check Signature Plates.....	10.19
Segregation of Cash Receipt Duties.....	10.20
Segregation of Cash Disbursement Duties.....	10.20
Disposition of Recommendations Presented in Prior Audit Report.....	10.22
Agency Reply.....	10.23

STATE OF NEVADA
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Legislative Commission
Legislative Building
Carson City, Nevada

We have completed legislative audits of the Department of Prisons', Prisoners' Store Fund and Prisoners' Personal Property Fund as authorized by the Legislative Commission.

The purpose of a legislative audit is to furnish the members of the Legislature with factual information concerning the financial operations and compliance with laws and regulations of the activities and programs of the agencies of Nevada State Government.

We have examined the balance sheets of the Prisoners' Store Fund and the Prisoners' Personal Property Fund as of June 30, 1978, and the related statement of operations and change in fund balance of the Prisoners' Store Fund for the fiscal year then ended. Except as set forth in the second following paragraph, our examination was made in accordance with Standards for Audit of Governmental Organizations, Programs, Activities and Functions,

except as noted, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The scope of our present audit program does not provide assurance that resources are managed or utilized in an economical or efficient manner, or that goals are effectively achieved.

The Prisoners' Store Fund inventory does not include all inventory items. Sales and cash draws made by inmates at the prisoners' stores were often combined and reported only as sales, thereby overstating sales by an indeterminable amount. A self balancing general ledger is not maintained for the Prisoners' Store Fund.

The Prisoners' Personal Property Fund is maintained by reference to monthly inmate account statements and monthly reconciliations of bank accounts. The general ledger has not been updated in over a year. The agency's records do not permit the application of adequate alternative procedures regarding the accounting records, except that examination of transactions to individual inmate accounts revealed no discrepancies.

In our opinion, because of the effects of the matters discussed in the fourth paragraph, the balance sheet and related statement of operations and change in fund balance of the Prisoners' Store Fund do not present fairly, in conformity with generally accepted accounting principles, its financial position as of June 30, 1978, or the results of its operations for the year then ended.

As discussed in the fifth paragraph, the agency did not maintain a general ledger for the Prisoners' Personal Property Fund, and since we were unable to apply adequate alternative procedures regarding the accounting records, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the fund's financial statement as of June 30, 1978.

Respectfully presented,



John R. Crossley, C.P.A.
Legislative Auditor

Robert O. Dimmick
Deputy Legislative Auditor

December 4, 1978
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

SUMMARY OF RECOMMENDATIONS

<u>Page</u>	<u>Requires Legislative Action</u>	<u>Implementation Status Per Reply</u>			
		<u>Accom- plished</u>	<u>To Be</u>	<u>Deferred</u>	<u>Rejected</u>
10.12	Institute policy for the issuance of prenumbered receipts for all amounts received.....		X		
10.12	Control numerical sequence of cash receipts.....		X		
10.12	Establish uniform procedures for removal of stale checks from the bank reconciliations....	X			
10.13	Reconcile bank accounts on a timely basis.....	X			
10.13	Review bank accounts at least monthly even though no transactions occurred.....	X			
10.14	Prenumber club trust fund checks.....		X		
10.14	Imprint on the face of the checks "void after 90 days".....		X		
10.14	Attempt to locate owners of savings bonds held in safekeeping for released inmates.....	X			
10.14	Request direction from Attorney General if legal owners cannot be found.....		X		

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

SUMMARY OF RECOMMENDATIONS
(Continued)

<u>Page</u>	<u>Requires Legislative Action</u>	<u>Implementation Status</u>			
		<u>Accom- plished</u>	<u>To Be</u>	<u>Deferred</u>	<u>Rejected</u>
10.14	Take appropriate action based upon Attorney General's opinion.....		X		
10.15	Require that invoices be footed and extended before approval for payment.....	X			
10.16	Prescribe inventory procedures for method and manner to be used during the count.....	X			
10.16	Require a staff person to record inventory	X			
10.16	Use current prices on inventory count sheets..	X			
10.16	Require all withdrawals of cash to be recorded as cash withdrawals, not sales.....	X			
10.16	Record all prisoners' stores sales.....	X			
10.17	Provide for preparation of all necessary accounting reports related to the various prisoners' funds.....		X		
10.18	Establish policy that goods received for prisoners' store be counted and signed for by staff person other than storekeeper.....	X			

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

SUMMARY OF RECOMMENDATIONS
(Continued)

<u>Page</u>	<u>Requires Legislative Action</u>	<u>Implementation Status Per Reply</u>			
		<u>Accom- plished</u>	<u>To Be</u>	<u>Deferred</u>	<u>Rejected</u>
10.18	Establish procedures for daily review of hobby shop transactions and numerical sequence of sales receipts.....	X			
10.19	Take a monthly inventory of hobby shop items.....		X		
10.19	Maintain locked control over check signature plates.....	X			
10.19	Require that a second person be present during use of check signature plates.....	X			
10.20	Segregate cash duties for receiving, recording and preparing bank deposits.....		X		
10.21	Segregate duties for the recording of expenses, preparation of checks, and distribution of checks.....		X		

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

EXHIBIT A

PRISONERS' STORE FUND
BALANCE SHEET
JUNE 30, 1978

ASSETS

Current Assets	
Cash	\$49,336
Accounts Receivable	18,177
Inventory	<u>31,889</u>
Total Current Assets	<u>99,402</u>
Equipment	<u>1</u>
Total Assets	<u>\$99,403</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Current Liabilities	
Accounts Payable	\$ (187)
Other Liabilities	
Unredeemed Ducats	<u>9,696</u>
Total Liabilities	9,509

FUND BALANCE

Total Liabilities and Fund Balance	<u>89,894</u> <u>\$99,403</u>
---------------------------------------	----------------------------------

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

EXHIBIT B

PRISONERS' STORE FUND
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1978

FUND BALANCE, JULY 1, 1977	<u>\$56,699</u>
REVENUE	
Prisoners' Store Sales	29,538
Inmate Committee Collections	<u>25,926</u>
Total Income	<u>55,464</u>
EXPENDITURES	
Inmate Committee Expenditures	<u>22,269</u>
Net Income	<u>33,195</u>
FUND BALANCE, JUNE 30, 1978	<u><u>\$89,894</u></u>

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

EXHIBIT C

PRISONERS' PERSONAL PROPERTY FUND
BALANCE SHEET
JUNE 30, 1978

ASSETS

Current Assets	
Cash	\$ 91,838
Savings Bonds	700
Accounts Receivable	<u>30,572</u>
Total Current Assets	<u>123,110</u>
Total Assets	<u><u>\$123,110</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Current Liabilities	
Accounts Payable	\$ <u>22,409</u>
Total Current Liabilities	<u>22,409</u>

FUND BALANCE

Due Inmates	100,001
Safekeeping - Savings Bonds	<u> 700</u>
Total Fund Balance	<u>100,701</u>
Total Liabilities and Fund Balance	<u><u>\$123,110</u></u>

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

GENERAL

PRISONERS' STORE FUND

The Prisoners' Store Fund was created by Chapter 430, Statutes of Nevada, 1977, as a trust fund. The purpose of the fund is to account for money received for the benefit of offenders through contributions, percentages from the sale of inmate manufactured goods, and from other sources not otherwise required to be deposited in another fund.

Prisoners' stores profits are deposited in this fund as are fees received from sale of inmate plasma donations, hobby store percentage of sales, and vending machine revenues.

These revenue amounts are expended on inmate activities such as movies and social events.

PRISONERS' PERSONAL PROPERTY FUND

The Prisoners' Personal Property Fund was created by Chapter 430, Statutes of Nevada, 1977, as a trust fund to account for transactions involving inmates' account deposits of cash received and wages earned, and disbursements for purchase of prisoners' store items and merchandise through the mail.

Some inmates have individual savings accounts to maintain their cash. These accounts are maintained through the Prisoners' Personal Property Fund, as are all other inmate accounts.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

GENERAL
(Continued)

PRISONERS' PERSONAL PROPERTY FUND (Continued)

Monthly statements are provided to each inmate, to report the individual transactions occurring during the period.

Club trust funds are maintained in a separate ledger to account for the cash balances of the individual inmate clubs. The club trust funds amounted to \$2,290, as of June 30, 1978, with 20 clubs participating in this amount.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING

PRENUMBERED RECEIPTS

Prenumbered receipts are not issued for all monetary instruments received at the institutions. Numerical sequence of the receipts issued is not controlled. Without issuing prenumbered receipts for all monetary instruments received, there is no assurance that all revenue is recorded and properly accounted for.

RECOMMENDATION

The Department of Prisons institute policy for:

1. The issuance of prenumbered receipts for all amounts received.
2. Control and timely accounting for numerical sequence of receipts.

REMOVAL OF STALE CHECKS

Outstanding checks are maintained on all bank reconciliations for extended periods, often in excess of 12 months.

RECOMMENDATION

The Department of Prisons establish uniform procedures for removal of stale checks from the outstanding check list as used in reconciling the bank statement.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING
(Continued)

TIMELY REVIEW OF ALL BANK ACCOUNTS

Monthly review of one of the Prisoners' Personal Property Fund bank accounts is not made, as transactions involving this account seldom occur. Checking accounts for which more frequent transactions occur are reconciled monthly, but sometimes more than a month after bank statement date. One checking account, used as a backup for the regular Prisoners' Personal Property Fund checking account, is not used and thus, is not routinely and systematically reconciled or reviewed.

RECOMMENDATION

The Department of Prisons require that:

1. All bank accounts for which transactions have occurred during a month be timely reconciled each month.
2. Any bank account for which transactions have not occurred, be reviewed monthly and its balance compared to accounting records.

CLUB TRUST FUND CHECKS

Club Trust Fund checks are not prenumbered. Therefore, numerical control over unissued check stock is weakened. Also, the checks are not imprinted with "void after 90 days".

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING
(Continued)

CLUB TRUST FUND CHECKS (Continued)

RECOMMENDATION

The Department of Prisons:

1. Prenumber all check stock on hand.
2. Imprint "void after 90 days" upon the face of all checks.

SAVINGS BONDS HELD IN SAFEKEEPING

Savings bonds amounting to \$750 were counted as being held in safekeeping for inmates no longer in the institution. All of these bonds have matured. The Department of Prisons reported \$700 on the Prisoners' Personal Property Fund balance sheet, which is \$50 under the actual amount on hand.

RECOMMENDATION

The Department of Prisons:

1. Attempt to locate the legal owners and return the bonds.
2. Request direction from the Attorney General as to disposition of the bonds if the legal owners cannot be located.
3. Take appropriate action based upon Attorney General's opinion.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING
(Continued)

EXTENDING INVOICES

The accounting section for the Prisoners' Store Fund does not extend and foot all vendor invoices to verify accuracy of the billings. It is possible that overbillings could occur and unknowingly be paid.

RECOMMENDATION

The Department of Prisons require all employees involved with accounts payable to extend and foot vendor invoices to assure the accuracy of billings.

DOCUMENTATION OF INVENTORY PROCEDURES

Fully described inventory procedures for a timely and uniform count at the various Prisoners' Stores were not communicated. In some of the physical inventory areas, inmates worked in teams where they both counted and recorded inventory. In other areas, items were not counted at all. Our testing revealed items priced on the store inventory pages which did not reflect the current sales prices.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING
(Continued)

DOCUMENTATION OF INVENTORY PROCEDURES (Continued)

RECOMMENDATION

The Department of Prisons:

1. Timely communicate documented inventory procedures to describe how the inventory will be counted on the shelves, and how teams will be formed.
2. Require a staff person to record inventory.
3. Mandate instructions as to the use of current prices of inventory on the count sheets.

RECORDING CASH WITHDRAWALS

At some of the stores, when cash withdrawals are made by inmates in conjunction with purchases, the withdrawals are recorded as sales. Thus, sales are overstated. Often, at some stores when merchandise is purchased with cash, the cash is dropped in the cash drawer and not recorded as a sale. This procedure causes sales to be understated and precludes control over cash.

RECOMMENDATION

The Department of Prisons:

1. Institute policy to require that cash withdrawals be recorded as withdrawals and not as sales.
2. Develop policy to insure that all sales will be recorded.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

ACCOUNTING
(Continued)

AGENCY COMPUTER SOFTWARE

The agency computer records entries to the inmates' accounts for transactions at the Prisoners' Stores, for salary deposits, and for checks written on behalf of inmates. Accounting documents such as a self-balancing general ledger, cash receipts and disbursements journals, and related accounting reports are not produced by the computer for the prisoners' funds.

RECOMMENDATION

The Department of Prisons provide for daily and monthly journals, for accounting control reports, and for self-balancing general ledgers for the various prisoners' funds.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

INTERNAL CONTROL

RECEIVING PRISONERS' STORE GOODS

The storekeeper in each store orders goods, receives them, and signs documents for approval of receipt. Thus, no review is in effect over the functions of the storekeepers' receipt of inventory. This is due in part to current staff limitations. Good internal accounting control requires that these duties be divided between two or more persons.

RECOMMENDATION

The Department of Prisons establish policy for a staff person, other than the storekeeper, to receive and sign for receipt of goods whenever possible.

HOBBY SHOP TRANSACTIONS

Purchases at the hobby shops are recorded by the issuance of prenumbered cash receipts and the posting of these receipts, by the inmate hobby shop storekeeper, to the inmates' individual inventory files. Numerical control is not maintained over the receipts. Correctional officers periodically review the transactions.

RECOMMENDATION

The Department of Prisons:

1. Establish procedures for daily review of the numerical sequence of sales slips, account for cash and compare the postings of the sales receipts to the individual inmates' hobby shop inventory files.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

INTERNAL CONTROL
(Continued)

HOBBY SHOP TRANSACTIONS (Continued)

RECOMMENDATION (Continued)

2. Provide a monthly inventory of hobby shop items by a staff person and compare it to the individual inmates' hobby shop inventory files.

CHECK SIGNATURE PLATES

Signature plates for the check writer are maintained in the prison administration vault. Access to the plates is at will of the user during the day. The checks used are logged in, but little other control is exerted. The use of a signature plate allows a saving of time, but control over the signature must still be maintained.

RECOMMENDATION

The Department of Prisons:

1. Maintain check signature plates under lock and key with the keys to be available only upon administrative approval.
2. Require a second person to be in the presence of the user at all times with the user signing a log verifying his use.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

INTERNAL CONTROL
(Continued)

SEGREGATION OF CASH RECEIPT DUTIES

One person is delegated duties for receiving cash, recording accounting transactions, preparing deposits, and transmitting them to the bank for all inmate trust fund accounts. Another individual is assigned these same duties for the Prisoners' Store Fund, Coupon Control Account, and club trust funds. Good internal accounting control requires that there be a separation of these duties.

RECOMMENDATION

The Department of Prisons segregate the duties for receiving cash, recording accounting transactions, preparing deposits, and transmitting deposits to the banks.

SEGREGATION OF CASH DISBURSEMENT DUTIES

One person is delegated duties for verifying accuracy of documentation in support of payments, making the accounting entries, preparing the checks for payment, using the check signature plates, and mailing the actual checks for transactions involving the Prisoners' Personal Property Fund. Another individual is delegated these same duties for the Prisoners' Store Fund, Coupon Control Account, and club trust funds transactions. In order to maintain adequate internal accounting control, it is important that these functions be segregated to the maximum extent possible.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

INTERNAL CONTROL
(Continued)

SEGREGATION OF CASH DISBURSEMENT DUTIES (Continued)

RECOMMENDATION

The Department of Prisons segregate the duties for recording the accounting transactions, preparing the checks, and disbursing the checks.

STATE OF NEVADA
DEPARTMENT OF PRISONS
PRISONERS' STORE FUND AND
PRISONERS' PERSONAL PROPERTY FUND

DISPOSITION OF RECOMMENDATIONS PRESENTED IN
AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1975

Page No.	Recommendation	No Action	Implemented	
			Partially	Fully
35.13	A modern accounting system, including an encumbrance system, be installed, utilized, monitored and documented. <u>AGENCY COMMENT: The Department's financial reports are those issued by the State Controller's Office excepting for the Inmate Trust Fund and the Prisoner's Store Fund.</u>	_____	X(1)	_____
35.14	Have inmate payroll prepared by civilian employees. <u>AGENCY COMMENT: Inmate payrolls are prepared and certified by institutional staff.</u>	_____	_____	X
35.15	Consider amending Chapter 209 to provide for write-off of former inmate account balances. <u>AGENCY COMMENT: Legislation will be introduced to the 1979 Legislature for implementation of this recommendation.</u>	X(1)	_____	_____
Totals		<u>1</u>	<u>1</u>	<u>1</u>

(1) Recommendation modified and repeated in current audit.

STATE OF NEVADA
DEPARTMENT OF PRISONS

BOARD OF PRISON COMMISSIONERS
ROBERT LIST, GOVERNOR
RICHARD BRYAN, ATTORNEY GENERAL
WM. D. SWACKHAMER, SECRETARY OF STATE



CHARLES L. WOLFF, JR.
DIRECTOR
ADMINISTRATIVE OFFICE
P.O. BOX 607
CARSON CITY, NEVADA 89701
PHONE (702) 882-9202

May 2, 1979

John R. Crossley, C.P.A.
Legislative Auditor
Audit Division
Legislative Building
Carson City, Nevada
89701

Dear Mr. Crossley:

I have reviewed the Legislative Audit Report of the Department of Prisons' Prisoners' Store Fund and Prisoners' Personal Property Fund as of June 30, 1978. Further development of monies for the fund's computerized accounting system was requested and received from the 1979 Legislature. These funds will permit a full general ledger to be established by December 31, 1979. This should alleviate many of the problem areas noted. I was pleased that the examination of transactions to the individual inmate accounts revealed no discrepancies and was so indicated in your report. Your staff conducted the audit in a professional manner, provided assistance and were most courteous.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles L. Wolff, Jr.", written over a horizontal line.

Charles L. Wolff, Jr.
Director

CLW/MM/cm

END