

AUDIT REPORT

MICHIGAN DUNES CORRECTIONAL FACILITY
DEPARTMENT OF CORRECTIONS
July 18, 1978 through July 31, 1979



69310

ALBERT LEE C.P.A.
Auditor General

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Prepared by

OFFICE of the AUDITOR GENERAL

NCJRS

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ACQUISITION

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STATE OF MICHIGAN
OFFICE OF
ALBERT LEE, C. P. A.
AUDITOR GENERAL
LANSING

Franklin C. Pinkelman, C. P. A.
Deputy

February 14, 1980

Michigan Corrections Commission
Stevens T. Mason Building
Lansing, Michigan

Dear Commissioners:

Submitted herewith is our report on the audit of the Michigan Dunes Correctional Facility, Department of Corrections, for the period July 18, 1978 through July 31, 1979. Our examination was made in accordance with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as were necessary.

The report of examination, description of agency and scope of audit follow this letter.

The courtesy and cooperation extended to our auditors are appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Albert Lee".

ALBERT LEE, C.P.A.
Auditor General



REPORT OF EXAMINATION

The following comments and recommendations result from our examination:

Education

Introduction

The facility offers both an academic and a vocational program for residents. Approximately 64% of the residents are enrolled in school. As of May 31, 1979, school personnel consisted of one principal, eleven teachers, and five teacher aides. Academic programs offered by the school include adult basic education (ABE), high school preparation, preparation for general education development (GED) tests, and college level courses. College courses are taught by Southwestern Community College. Applicants passing GED tests are awarded high school equivalency certificates.

Vocational programs offered by the school include office occupations, food service and building maintenance technology.

The number of enrolments, completions and noncompletions is reported in Exhibit I, page 37. Analysis of teacher work loads and classroom utilization is reported in Exhibits 2 and 3, pages 38 and 39, respectively.

Completion of Education Courses and Programs

1. Between September 1, 1978 and May 31, 1979, the facility had 672 students enrolled in its educational program. Only 52 had completed their schooling and 296 had terminated without completing (see Exhibit I, page 37.) The greatest number of terminations (150 of 296) occurred because of transfers to another correctional facility (some may have reenrolled and completed at another facility).

However, 145 residents terminated because of nonperformance or lack of attendance. This may show that students are not motivated to attend or complete education courses.

During the 8-month period October 1, 1978 through May 31, 1979, expenditures for education were approximately \$174,000. Appropriations for fiscal year 1979-80 are \$399,400. A high percentage of noncompletions results in inefficient use of education resources.

We recommended that the facility and the central office analyze the education program to determine what action is necessary to increase the number of completions and students' motivation to improve the use of education resources. Screening and counseling techniques should be reviewed.

At the exit review meeting, the facility informed us that it has implemented a comprehensive school attendance procedure and that the central office has reviewed this area.

Student Absences

2. Based on education office records, we estimate that the average daily absentee rate is 21%. The majority of absences (78% of those we reviewed) are unexcused. A facility policy provides that students will receive a minor misconduct report after their third absence and a major misconduct report after ten minor misconduct reports.

Department policy directive DWA-60.01 states that disobeying a direct order is a major misconduct. Failure to report to assignment (school) is an example of disobeying a direct order. Major misconducts are more severe than minor misconducts and sanctions include punitive segregation and recommendation for denial of special good time.

More severe sanctions, such as reclassification or dropping the resident from class, might encourage residents to attend school and reduce the volume of misconduct reports now being processed (about 30 per day).

We recommended that the facility develop a method to reward those residents who attend class and counsel, reclassify or drop from class those residents who are constantly absent.

At the exit review meeting, the facility informed us that it has implemented a comprehensive school attendance procedure. Also, the central office will investigate the volume of misconducts to determine the cause of student absences.

Prompt Enrollment of Students

3. Classes are taught by independent study versus formal lecture. This allows new residents to start shortly after arrival.

According to our analysis at June 15, 1978 (see Exhibit 4, page 40), the school had 77 students waiting for enrollment. Based on classroom capacity, 46 of them could have been enrolled.

The education office informed us that students are placed into education programs from the waiting list approximately twice a month rather than when vacancies occur.

Delaying enrollment does not allow for maximum use of resources and may prevent a resident from completing an education program before release or transfer.

Transfer to another facility is the primary reason why residents do not complete education programs. Some programs are not offered at every facility. Delays in programming also provide residents with idle time.

We recommended that the principal establish procedures to enroll residents when class vacancies occur.

At the exit review meeting, we were informed that the principal established procedures to enroll students without delays.

Time Standards for Educational Programs

4. Offenders are initially processed by the Reception and Guidance Center (RGC). RGC tests offenders and makes recommendations for educational programming. The facility classification committee generally adopts the RGC program recommendations such as basic education and GED prep.

The department has not established time frames as to when residents should complete education programs. Time standards are essential to evaluate a resident's progress toward accomplishment of education goals.

Because of a lack of time frames, many residents may spend more time than necessary to complete courses. This wastes valuable resources which could be used to teach other students.

We recommended that the department establish time frames for residents to complete educational programs. Time frames should be flexible to take into consideration individual learning capabilities.

At the exit review meeting, the facility informed us that the department established time frames to complete educational programs.

Education Assignment Reports

5. The department has developed an education system called Competency Based Instruction. The system is composed of modules and provides an open entry and self-paced learning format for students.

Teachers are required to prepare a "program and work assignment report" form (CSX-363) when a resident starts and terminates a course. This form provides space to report modules in progress and recommended starting modules.

We determined that teachers do not always complete the form when residents terminate, or show the reason why residents terminated, and do not always report modules in progress.

We reviewed education files of 18 former students and determined that 10 files did not contain forms, and 8 files contained forms that did not show the students' status at termination.

Also, teachers do not complete forms on a timely basis when residents transfer. The forms do not accompany the resident to the receiving facility but are sent at a later date.

Complete and timely processing of forms is necessary to:

- a. Evaluate student progress.
- b. Provide statistical data on the education program for analysis purposes.
- c. Eliminate unnecessary screening at other facilities and provide for smooth transition from one school to another.

We recommended that the school principal establish procedures to ensure that school teachers complete the "program and work assignment report" in full and that reports accompany residents when transferred.

At the exit review meeting, the agency informed us that student evaluation forms are now completed upon completion and/or transfer of the student.

Monthly Reports to Central Office

6. The education office prepares monthly activity and status reports for the central office.

The education office has not established procedures to determine the head count for monthly reports but reports the number of school assignments only. Some students have more than one assignment and are counted more than once in reported head counts.

For example, the head count reported for May 31, 1979 was 257. We determined the actual head count to be 214 (17% reduction).

Also, students who complete education assignments are not always reported in the termination total. We could not determine the status of 67 students in our review of enrollments, completions, and noncompletions. (see Exhibit I, page 37). Accurate reports are necessary for budget and analysis purposes.

We recommended that the education office establish procedures to assure that accurate monthly reports are developed.

At the exit review meeting, the agency informed us that the central office education staff recently revised the monthly evaluation reports.

Collection of Educational Benefits

7. Sections 30 and 31, Act 403, P.A. 1978, require residents who receive educational benefits to reimburse the State for tuition and fees up to the maximum amount of the benefit payment. Residents may be eligible for benefits from the Veterans Administration, Social Security Administration, and Department of Health, Education, and Welfare.

The facility has not established procedures for collecting monies from students who receive educational benefits. We determined that 49 residents at the facility have applied for educational benefits from the Social Security Administration. However, the number of residents receiving benefits from the three sources mentioned is unknown because some residents have the checks sent home or elsewhere.

The average cost per student for education programs conducted by the department exceeds \$1,200 per year.

We recommended that the facility, in conjunction with the central office, establish procedures to obtain reimbursement from students who receive educational benefits.

At the exit review meeting, the agency informed us that it has complied.

Resident Clerks - Job Assignments

8. The education program includes an office occupational course. The facility has not determined which of its clerical jobs can be performed by residents. The administration is concerned about problems in supervising residents and giving them access to information which would provide opportunities to exert pressure on other residents.

Under proper supervision, residents would not be given control of records. They could perform clerical duties such as processing records for monthly education reports, class rosters, resident program cards. Resident clerks could perform these duties at a lower cost than civil service employees and also gain work experience which would improve opportunities for outside job placement at date of release.

We recommended that the facility determine which clerical duties can be performed by residents and establish procedures to place qualified residents through attrition of civil service employees.

At the exit review meeting, we were informed that the facility complied with our recommendation.

Library Services

9. The Department of Corrections has not developed standards for library services. The number of volumes and the kinds of materials (education, research, leisure) that should be in the collection have not been established. The library is managed by a community volunteer.

The Department of Education division of library services can assist in developing standards and plans to ensure the adequacy of library services.

We recommend that the department request the Department of Education library services division for assistance to assess library services at each facility and to develop library standards.

A committee representing the Departments of Corrections and Education was established in 1977 to study library needs and to make recommendations. The study was completed in March 1979, and recommendations have been reviewed. A policy directive will be developed to address library standards.

Vocational Course Evaluations

10. The department does not evaluate the success and effectiveness of vocational courses. One method of evaluating success would be to determine if paroled residents obtained jobs using skills attained.

The department last conducted a study in 1970 to determine if parolees had used their vocational training.

Continuing evaluations are necessary to ascertain the effectiveness of vocational training courses and to determine the need for changes.

We recommend that the facility and the department evaluate the effectiveness of vocational courses.

At the exit review meeting, the facility informed us that the program bureau established a program evaluation unit. This unit is presently evaluating eight vocational courses departmentwide.

Services to Residents

Monitoring Delivery of Psychological Services

11. The facility's psychologist provides individual and group counseling to residents recommended by the reception centers, staff, and parole board:

- a. The psychologist conducts group counseling six hours per week (3 groups of two hours each). At the time of our review, 27 residents were in group counseling and 33 residents were on the waiting list. Because of the lack of work load standards, we could not determine if more groups should be established or if groups should be enlarged.

Standards and procedures have not been developed for case work loads, peer review, and case supervision review at the facility. Reviews are necessary to ensure that quantity and quality of services meet standards and that adequate case files are maintained.

The psychologist at the facility organizationally reports to the director of resident services. The director of resident services and the chief psychologist at Riverside Reception and Guidance Center both informed us that the facility's psychologist acts autonomously in the delivery of services.

The department's two reception and guidance centers (Riverside and the State Prison of Southern Michigan - SPSM) each have a psychological services section. Policy directives DWA 11.01 and 11.05 describe their responsibilities. The sections must provide assistance and consultation to other facilities in designing and conducting treatment programs. Neither policy directive clearly assigns the psychological services sections with specific responsibilities for monitoring the delivery of psychological services and case management.

We recommend that the department develop work load standards for group and individual psychological services at correctional facilities.

We also recommend that the department update policy directives DWA 11.01 and 11.05 to clearly assign the psychological services sections, or another organization unit, with authority to monitor the delivery of psychological services at each facility. This concept would be compatible with the department's reassignment of health care planning and delivery systems to medical professionals.

- b. The psychologist does not write case status notes during the time residents are involved in group counseling or psychotherapy. We reviewed the files of 24 residents and determined that case status notes were not written for 22 residents.

The psychologist does write a case status note only when residents complete or drop out of counseling.

Case status notes help psychologists monitor progress in an orderly manner and are essential in the event a resident is transferred to another facility or to another psychologist.

We recommend that the department establish written procedures for psychologists to write case status notes at the completion of each counseling and therapy session.

Medical - Nursing Staff

- 12. The health services nursing staff consists of a director of nursing and six nurses (2 nurses are half-time positions). All seven are registered nurses. The work schedule of the staff nurses is:

Shift	Number of Nurses						
	<u>Mon.</u>	<u>Tues.</u>	<u>Wed.</u>	<u>Thurs.</u>	<u>Fri.</u>	<u>Sat.</u>	<u>Sun.</u>
7 a.m. - 3 p.m. (First shift)	3	2	2	2	2	1	1
3 p.m. - 11 p.m. (Second shift)	2	2	2	2	2	1	1

The office of health care is considering the addition of nursing staff or a third shift.

Nurses on the first shift dispense medications and screen residents who need to see the doctor on sick call Monday through Friday. Nurses on the second shift are primarily responsible for emergencies and dispensing medications.

From our review of May and June 1979 health service records and shift duties and the facts that a doctor is on emergency call should emergencies arise and that correction officers are trained to handle certain types of emergencies, it appears that health services may be overstaffed:

<u>Shift</u>	<u>Daily Number of Patients Per Nurse*</u>	
	<u>Weekdays</u>	<u>Weekends</u>
First	10	4
Second	2	4

*Excludes patients seen in segregation cells and at health services office for scheduled medication.

To further support our conclusion, we reviewed the types of resident medical complaints for June 1978 and noted that 19% of the complaints were acne problems and colds which require minimal nurses' time.

It appears from our analysis and observation that the number of staff, by shift, is disproportionate to the need. The department does not have staffing standards to apply to these kinds of situations.

We recommend that the department follow up on our review with a view toward reducing staffing. We also recommend that the department develop and implement staffing standards for health care.

Medical Services - Contractual Payments

13. The facility has contractual service agreements with two doctors to provide on-site and on-call medical services.

We reviewed payments to doctors for April and May 1979 and determined that doctors did not always charge for the correct number of hours worked because of oversight. Hours were overstated on some invoices and understated on others.

By our request, the facility's health services office reviewed all invoices received since October 1, 1978 and determined that doctors were underpaid \$1,236 for the period.

Some overpayments resulted from paying one doctor for on-call services for the same hours during which the other doctor was on-site. The majority of underpayments resulted from doctors not submitting invoices for on-call hours.

The health services office has not established procedures to review doctors' invoices for accuracy prior to approving them for payment.

We recommended that the health service office establish procedures to review doctors' invoices for accuracy prior to approving them for payment.

At the exit review meeting, we were informed that the facility established a procedure to review doctors' invoices.

Physical Examinations

14. The health services office does not provide residents with periodic physical examinations.

American Correctional Association Standards for Accreditation No. 4263 states that the department should have a "Written policy and procedure (and) specify the conditions for periodic health examinations for inmates. . .Persons 50 years of age and over should be given annual physical examinations. All other inmates should receive thorough physical examinations at least biennially. . ."

We reviewed the medical files of nine residents incarcerated for 15 to 47 months. None of the residents had received a complete physical examination since original screening at RGC.

We recommend that the office of health care develop a policy which directs health services units at facilities to provide residents with periodic physical examinations.

Consent to Surgery

15. The health services office does not require residents to sign a form (CS0-291) for consent to surgery, anesthesia, and medical treatment prior to scheduled surgery. Minor surgery such as solid tumor and cyst removals is performed on site by a contractual physician.

Director's office memoranda 1975-1 provides for the use of "surgical permits," and the Attorney General advises that the consent form could help reduce the possibility of liability.

We recommend that the health services office require residents to sign a consent to surgery, anesthesia, and medical treatment form (CS0-291) prior to scheduled surgery.

Dental Clinic Staffing

16. One full-time dentist and a dental hygienist are employed to service fewer than 400 residents. Monthly reports are submitted to the office of health care of the number and type of services rendered and the number of residents served. The department has not developed work load measuring devices to determine the staffing levels necessary for a dental office at a correctional facility.

The Michigan Training Unit (MTU) has one dentist and a dental aide but services over 800 residents. In our audit dated August 9, 1979, we reported that the MTU dentist has some unfilled clinical time.

The Department of Mental Health uses a Relative Value Unit system for cost distribution and determining staff needs.

We recommend that the Department of Corrections develop work load standards and staff facilities accordingly.

Inspection of Medical and Dental Facilities

17. The office of health and medical affairs, Department of Management and Budget, studied the health care program of the Department of Corrections and in January 1975 issued a report entitled "Key to Health for a Padlocked Society." The office of health and medical affairs recommended that the Department of Corrections arrange with the Department of Public Health for routine inspections of health care facilities.

The Legislature instructed the department (Act 403, P.A. 1978) to apply for licensure and accreditation of each of its health care programs.

The medical and dental facilities have not been inspected, licensed or accredited.

We recommend that the department's office of health care develop standards for medical and dental facilities and arrange for inspection, licensure and accreditation.

At the exit review meeting, the office of health care informed us that the Department of Public Health inspects only hospitals, nursing homes, etc. It does not inspect and license free standing ambulatory care facilities (outpatient service). Michigan Dunes Correctional Facility provides only ambulatory care. Therefore, the department's office of health care is preparing an application to the Joint Commission on Accreditation of Hospitals for assessment and accreditation of its ambulatory care facilities.

Medical Insurance

18. The facility does not determine if residents have medical insurance coverage through an individual policy, spouse or parents.

Presently, hospital and other medical costs are paid by the State.

We recommend that the office of health care develop written procedures for correctional facilities to verify insurance coverage at the time a resident is provided medical services and to file claims with insurance carriers if appropriate.

The office of health care informed us that a form is being developed to process residents for off-site medical care and that the form will provide information pertaining to insurance.

Registered Nurses' Licenses

19. Registered nurses are required to renew their licenses annually in accordance with Act 368, P.A. 1978. We could not verify that all nurses at the facility were licensed. The health services office had copies of licenses for three of the seven nurses. The personnel office did not have copies of licenses on file.

We recommended that the health services and personnel offices maintain copies of registered nurses' licenses on file.

After our review, we were provided with copies of licenses.

Stipends for Attending School

20. School teachers record daily attendance on monthly rosters. Rosters are submitted to the school office manager at month-end for stipend computation and then to the accounting office for posting stipends to residents' accounts.

We reviewed computations of 50 stipends for February and May 1979 rosters. For 31 of 50 (62%) stipends, attendance was computed inaccurately. Errors resulted in both under- and overpayments to students.

We recommend that the principal establish procedures to help ensure that stipends are computed accurately.

At the exit review meeting, the facility informed us that a standardized attendance reporting procedure was being implemented.

Resident Store, Trust Fund and Jaycee Activities

Resident Store Controls

21. Our comparison of gross profits taken from profit and loss statements (prepared by the business office at irregular intervals) shows fluctuations from 31% to -.05% (deficit). Prison administration attributes part of the fluctuation to pilferage and theft. The store has been broken into, and management has reevaluated security.

Another comparison of profits based on operating statements that we prepared (see Schedule C, page 30) for two longer periods of operation showed that gross profits were 10.7% and 8.8%. We concluded that poor accounting and inventory practices

described later in this recommendation were also a cause of fluctuation in net profits shown in operating statements prepared by the business office:

- a. The business office does not analyze or monitor gross profits to identify possible pilferage and shortages. An analysis and comparison of gross profit can disclose weaknesses in internal control and accounting practices.
- b. The business office prepares financial statements at irregular intervals rather than monthly. The periods varied from two weeks to two months. As a result, management does not have a good method to monitor sales.
- c. Of 56 vendor invoices reviewed, 29 were not marked "paid." It is essential to mark invoices "paid" to help prevent duplicate payment.

We recommended that the business office:

- (a) Compare and analyze financial statement data. Gross profit should be reviewed for reasonableness. Variations should be investigated to determine the cause.
- (b) Prepare financial statements at month-end and establish cutoff dates for recording receipt of merchandise into inventory and cost of sales.
- (c) Mark all vendor invoices "paid" at the time the check is written.

At the exit review meeting, the facility informed us that it has complied with this recommendation.

Supplemental Method To Monitor Store Operations

22. Analysis of gross profits is an accepted method to monitor store operations. If this method discloses unexplainable variations, a supplemental method should be developed to ensure management that merchandise is being accounted for. Some of the other correctional facilities have developed procedures to price inventories and purchases at retail on a monthly basis. The difference between the retail value of the beginning inventory plus purchases less the ending inventory is to represent value of sales. Significant variances disclosed by this procedure alert management to potential problems.

When unexplained variations in gross profits are evident, we recommend that the business office develop supplemental methods to assure management that merchandise is accounted for.

At the exit review meeting, the facility informed us that in October 1979 the facility started a retail price analysis of the resident store.

Resident Store Understatement of Profit

23. a. Department of Corrections policy directive BCF-20.01 places an 8% limit on resident store net profits. The percent of net profit reported on the facility's profit and loss statements is slightly understated because the resident store transfers merchandise to the Jaycee store at cost. The amount transferred is included in the total sales and cost of sales which reduces the gross and net profit percents. The profit and loss statement for July 5, 1979 shows a net profit of 8.0% of sales. When merchandise transferred to the Jaycee store is excluded from sales and cost of goods sold, the net profit increases to 8.7%.

To accurately reflect the net profit percent, we recommended that the facility deduct merchandise transferred to the Jaycee store from sales and cost of goods sold for financial statement purposes.

- b. Residents are not informed of the results of store operations or how profits are distributed. The facility distributes profits to the resident benefit fund.

We recommended that the facility publish the resident store's profit and loss statement in the resident's newsletter or post it on the bulletin boards.

At the exit review meeting, the facility informed us that it has complied with the recommendation.

Reporting of Resident Store Sales

24. Residents must use tokens in lieu of cash to buy merchandise from the store. Store sales are recorded on a cash register; however, the business office does not use the cash register tapes for recording sales. The business office records only the value of \$1 tokens transferred in a deposit bag. Tokens of less than \$1 value are returned to the store for making change. A change fund should be purchased from the resident trust fund and be recorded in the stores general ledger as an asset to be accounted for.

To improve internal control, we recommended that the business office provide a change fund for the store. We also recommended that the business office reconcile daily receipts with the store's cash register tapes and use the registered totals for recording sales. Any variances between registered sales and tokens remitted should be recorded in an over- and short-account.

At the exit review meeting, the facility informed us that it has complied.

Jaycee Activities

25. The Jaycee chapter of residents operates a yard store and also sells pictures and greeting cards. The accounting office commingles all Jaycee accounting transactions in one account within the resident benefit fund:

- a. The accounting office does not prepare financial statements for Jaycee operations. In order for management to effectively evaluate these operations, it is essential that financial statements be prepared for the three Jaycee activities.

We recommend that the accounting office maintain subsidiary accounts for each major Jaycee activity and prepare periodic financial statements.

- b. At our request, the accounting office prepared financial statements for Jaycee operations. The gross profits as a percent of sales for the period September 1, 1978 through July 31, 1979 for the store, picture operations, and greeting card operations were 10.6%, 60.4%, and 10.5%, respectively (see Schedule I, page 36). The accounting office has not established management controls over the Jaycee activities to show what the gross profits should be. We were informed by the Jaycee activity director that the markup from cost to retail price for all greeting cards is 100%. Therefore, gross profit as a percent of sales for greeting cards should have been 50% and not 10.5% if this markup policy was followed.

We recommend that the accounting office establish management controls to determine that gross sales reported equals the computed sales. Any variances should be investigated.

- c. The Dunes Correctional Facility Jaycees have no guidelines or corporate charter which show how profits from Jaycee activities should be used or the objectives of the Jaycees.

We recommend that the Jaycees develop a corporate charter or guidelines which define the approved activities and use of profits or revenue.

- d. Visitors may purchase a ticket at the front desk for a picture of a resident. The Jaycee chapter collects the tickets and takes the pictures in the visitors' room. The charge per ticket is \$1.50. Under current procedures, the business office collects the cash receipts from the front desk but does not reconcile total receipts with total tickets issued and on hand.

To improve internal control, we recommend that the business office reconcile cash receipts for picture sales with tickets issued and on hand.

- e. The Jaycee store does not maintain an official sales record and does not have a change fund. The business office collects the tokens for sales and records only the \$1 tokens as the sales. Tokens of less than \$1 value are returned to the store for making change.

To improve internal control, we recommend that the agency establish a sales record for the Jaycee store, require the store to transfer all tokens collected, establish a change fund, and reconcile daily receipts with the official sales record.

At the exit review meeting, the facility informed us that it has complied with (a), (b), (c), and (d). Also, the superintendent closed the Jaycee store in September 1979 until the residents and business office can resolve control and accounting problems.

Financial Management and Accounting

Cash Controls

- 26. a. The business office has not designated an employee as cashier. All employees in the business office can receive cash and tokens and issue official receipts. Two of these employees also maintain cash records. To maintain internal

control, employees who handle cash receipts should not maintain accounting records. Also, a person who does not handle cash and does not keep cash records should verify that cash receipted was deposited.

We recommended that the business office designate an employee as cashier and segregate cash receipting from cash recording and payment functions.

- b. Facility staff at the information desk sell tokens to visitors for residents and also receive monies from visitors for deposit to resident trust accounts. Staff issue an official receipt and place all monies received in a locked box which is submitted to the business office.

We reviewed daily cash records relating to transactions by information desk staff:

- (1) Nineteen daily reconciliations disclosed shortages totaling \$88.00 from token sales. Fourteen reconciliations disclosed overages totaling \$44.50.
- (2) The file copies of five official receipts were missing. The receipts may have been voided, but we could not verify this.

We recommended that the business office instruct staff at the information desk of the proper cash handling procedures. Any cash shortages and overages should be investigated. We also recommend that the business office account for official receipts.

- c. Bank deposits are made weekly and, as a result, the average daily cash on hand was in excess of \$4,000.

We recommended that the business office deposit cash and checks more frequently.

At the exit review meeting, the facility informed us that it has complied with the recommendations.

Control of Tokens Used in Lieu of Cash

27. Residents are not authorized to have legal currency and coins in their possession except for a limited amount of pennies. As a substitute, residents are sold tokens to purchase merchandise from the resident store.

The business office does not maintain a control account for all tokens to be accounted for by the cashier (tokens purchased from the vendor but not issued and tokens redeemed). Also, the business office does not have procedures to inventory and verify tokens on hand.

We recommend that the business office establish a control account representing total tokens on hand. We also recommend that the cashier and an independent person periodically count tokens on hand and compare the count with the control balance.

At the exit review meeting, the facility informed us that the business office established a control account for tokens on hand.

Investment of Cash

28. Three checking accounts (resident store, resident trust, and resident benefit funds) are maintained in a local bank. These accounts do not earn interest.

The average month-end account balances for the period July 1978 through June 1979 were:

<u>Fund</u>	<u>Balance</u>
Resident Store	\$10,057.97
Resident Benefit	\$ 1,441.83*
Resident Trust	\$12,412.07

*Ten-month period

The State Treasurer provides checking services to State agencies, pools cash, and purchases investments with excess cash.

We recommend that the agency either request the State Treasurer to provide checking account services or request local banks to pay interest on checking accounts. We also recommend that the agency assess its daily cash needs and determine if excess funds in the checking accounts can be used to purchase interest-bearing certificates of deposit or be transferred to interest-bearing savings accounts. Interest earned should be credited to the resident benefit fund.

At the exit review meeting, we were informed that the facility submitted a written request to the local bank to establish an interest-bearing account for the resident trust fund.

Expenditure Controls

29. The business office makes some checks payable to employees to purchase merchandise for resident benefit fund activities. We reviewed expenditures and noted that:

- a. The business office issued two checks to employees and five checks to vendors without a vendor's invoice.
- b. A duplicate payment of \$54.54 was made to an employee because both a vendor's cash register tape and a credit card slip were submitted for the same purchase.
- c. Vendor invoices for resident trust fund purchases are not retained by the business office but are given to the resident. Invoices should be retained as supporting documentation for these purchases.
- d. Except for the resident trust fund account, the business office does not file canceled and voided checks in numerical sequence so that all checks can be accounted for. Also, the imprest cash check register showed that 6 checks were voided, but the checks were not retained.

To improve internal control, we recommended that the business office make payment only when purchases are authorized and properly documented. We also recommended that the business office retain vendor invoices for resident purchases, retain voided checks, and place canceled checks in numerical sequence.

At the exit review meeting, the facility informed us that the business office has complied.

Payroll-Personnel System (PPS) and Controls

30. Our review of PPS procedures disclosed that:

- a. The personnel office does not maintain a transaction control log (form A-666).

Section 12.6 of the PPS Procedures Manual states:

"Proper posting and summarizing of the Transaction Control Log (Form A-666) and balancing to the Daily Transaction Control Report (PE-296) and Daily Transaction Error Report (PE-297) is the whole basis of maintaining the system integrity. . ."

We recommend that the personnel office maintain a transaction control log in accordance with section 12.6 of the Payroll-Personnel System Procedures Manual.

- b. Supervisors approve time clock cards and distribute the payroll warrants. To maintain internal control, persons not associated with the payroll and personnel functions should receive and distribute the payroll warrants.

We recommend that the facility assign an employee in each timekeeping unit and independent of the payroll and personnel function to receive and distribute the payroll warrants.

Supplies and Materials Inventory

31. Department of Management and Budget administrative manual procedure 8-2-19 provides that all departments which operate under the State inventory revolving fund or maintain substantial warehouses or stocking centers are required to follow the provisions of the inventory control system procedures manual.

Our review of the facility's inventory control procedures disclosed that:

- a. The facility does not maintain an inventory revolving fund. It charges all supplies and materials purchases to expense upon receipt. To develop cost data by cost center, the facility maintains a manual record of the cost of

household and office supplies requisitioned by each department. The facility should use the inventory revolving fund to ensure that costs are charged to the appropriate operating period.

- b. The facility stores inventories at various locations because of a lack of a central warehouse. The employees who have custodial responsibility for inventories maintain records of purchases and usage of some commodity items. To establish adequate internal control, detail inventory records should be maintained by an employee who does not have custodial responsibility over inventories.
- c. The facility has not established minimum and maximum stocking levels. Stocking levels are an effective management aid to help reduce stockouts (shortages) and to help prevent overbuying.
- d. Periodic physical counts of food and clothing inventory items are conducted by the employees who have custodial responsibility for these inventories. The facility has never taken a complete physical count of other inventory items. To improve internal control, physical counts should be conducted annually for all inventory items and verified by an employee who has no custodial responsibility over inventories.
- e. The facility stores household and maintenance supplies in a barn. This barn is not locked which results in a lack of safeguards over the inventory stored there.
- f. Supervisory personnel in the various sections must approve a supply requisition when items are needed. The employee who accepts the items from the warehouse is to sign the requisition. Our review of 50 supply requisitions disclosed that eleven requisitions were not approved by authorized supervisory personnel and three requisitions were not signed by the employee who received the items.

- g. Storeroom employees did not prepare receiving reports for clothing and linen items purchased. We extended our review to other commodities. We examined 84 disbursement vouchers and noted that receipt of merchandise was not documented for 8 vouchers. To ensure that the facility is properly billed, receiving reports should be prepared for all merchandise received.

To improve the inventory control system, we recommend that the facility:

- (a) Use the inventory revolving fund to record inventory purchases and charge usage to appropriations accounts during the proper accounting period.
- (b) Assign maintenance of detail inventory records to the business office.
- (c) Establish minimum and maximum stocking levels.
- (d) Assign an employee who has no custodial responsibility over inventories to verify or test the physical counts.
- (e) Establish adequate safeguards over the inventory items stored in the barn.
- (f) Assure that supervisory personnel approve supply requisitions and that receipt of goods is acknowledged.
- (g) Prepare receiving reports for all merchandise deliveries.

At the exit review meeting, the facility informed us that it has complied with recommendations (d), (e), (f), and (g).

Equipment Accounting

- 32. Department of Management and Budget administrative manual procedure 8-2-18 requires the institution to tag equipment, develop equipment records, and take an annual physical inventory. The facility started operations July 1978 and currently has no equipment inventory records, has not tagged all equipment, and has not taken a physical inventory.

We recommend that the facility comply with the provisions of Department of Management and Budget administrative manual procedure 8-2-18.

At the exit review meeting, the facility informed us that it has tagged and taken a physical count of equipment. Equipment records are being developed.

Physical Plant

Preventive Maintenance

33. Maintenance standards have not been developed for routine service of vital equipment and machinery. Scheduled maintenance is necessary to ensure day-to-day services, to reduce the possibility of costly breakdowns, and to prolong the useful life of equipment and machinery. Also, the agency does not keep a record of preventive maintenance work performed. Records should be established to document the date and description of services performed.

We recommend that the facility develop a preventive maintenance program for its vital equipment and machinery.

Physical Fitness

Employee Physical Fitness

34. The Department of Corrections does not have a physical conditioning program or minimum physical fitness requirements for correction officers. The department requires correction officers to pass a routine medical examination prior to employment but does not require periodic medical examinations of continuing employees.

A correction officer's physical fitness is an essential element in his ability to perform his duty. An officer in poor physical condition may jeopardize the security of the institution and the lives of fellow staff employees.

Physical fitness standards could include qualifications regarding weight, agility, sight, hearing, and proper functioning of vital organs. Physical conditioning programs and periodic medical examinations would aid officers in meeting physical fitness standards.

We recommend that the Department of Corrections establish minimum physical fitness standards and methods and procedures to evaluate and monitor adherence to minimum standards.

We were informed that the department established a committee on physical ability and has contacted the Department of Public Health and the Commission on Physical Fitness. Also, the department is developing a physical fitness program to recommend to employees and encourage them to participate.

GENERAL COMMENT

Resident Housing

The facility houses residents in dormitories and uses double bunks. Each resident is provided about 52 square feet of space.

American Corrections Association (ACA) Standard 4144 published in August 1977 by the Commission on Accreditation for Corrections requires 60 square feet per resident and disapproves double bunking.

The department has not adopted ACA standards. Standards have also been developed by the U.S. Department of Justice and the department is studying and comparing standards.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
Appropriations through September 30, 1979 and Expenditures through July 31, 1979

Appropriations for Operations	\$4,089,500.00
Carry-Overs and Advances	38,130.00
Transfers	<u>13,800.00</u>
Total Authorized	<u><u>\$4,141,430.00</u></u>
Operating Expenditures	
Administration	\$ 699,916.00
Treatment	400,041.00
Resident Care and Control	<u>2,158,717.00</u>
Total Operating Expenditures(A)	\$3,258,674.00
Encumbrances	33,383.00
Unexpended	<u>849,373.00</u>
	<u><u>\$4,141,430.00</u></u>
Capital Expenditures and Encumbrances	\$ 452,697.00
Average Number of Employees	191
Average Resident Population	354
Cost Per Resident Day	\$ 30.55(B)

A - Does not include clinical expenditures appropriated for the office of health care.

B - Cost per resident day including clinical expenditures is \$33.28

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Store
Comparative Balance Sheet

	<u>July 5, 1979</u>	<u>September 30, 1978</u>
Assets:		
Cash	\$ 3,881.67	\$ 7,454.53
Inventory	6,913.00	4,170.71
Accounts Receivable (Jaycee Store)	<u>2,177.30</u>	<u>-0-</u>
Total Assets	<u>\$12,971.97</u>	<u>\$11,625.24</u>
Liabilities:		
Accounts Payable - Vendors	\$ 4,437.94	\$ 5,317.75
Loan Payable - Michigan Reformatory (For Beginning Inventory)	<u>5,000.00</u>	<u>5,000.00</u>
Total Liabilities	<u>\$ 9,437.94</u>	<u>\$10,317.75</u>
Fund Balance:		
Beginning of Period	\$ 1,307.49	\$ -0-
Add: Profits	<u>9,726.54</u>	<u>1,907.49</u>
	\$11,034.03	\$ 1,907.49
Less: Profits Transferred to Benefit Fund	<u>7,500.00</u>	<u>600.00</u>
End of Period	<u>3,534.03</u>	<u>1,307.49</u>
Total Liabilities and Fund Balance	<u>\$12,971.97</u>	<u>\$11,625.24</u>

This statement was compiled from statements prepared by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Store
Comparative Statements of Profit and Loss

	<u>10-1-78 to 7-5-79</u>	<u>7-18-78* to 9-30-78</u>
Sales	\$121,257.46	\$17,793.77
Less: Merchandise Sold at Cost to Jaycee Store	<u>(10,050.32)</u>	<u>-0-</u>
Net Sales	\$111,207.14	\$17,793.77
Beginning Inventory	<u>\$ 4,170.71</u>	\$ -0-
Purchases	\$114,200.22	20,056.99
Less: Merchandise Sold at Cost to Jaycee Store	<u>(10,050.32)</u>	
Net Purchases	<u>\$104,149.90</u>	
Ending Inventory	<u>\$108,320.61</u> <u>6,913.00</u>	<u>\$20,056.99</u> <u>4,170.71</u>
Cost of Goods Sold	<u>101,407.61</u>	<u>15,886.28</u>
Gross Profit	\$ 9,799.53	\$ 1,907.49
Expenses	<u>72.99</u>	<u>-0-</u>
Net Profit	<u>\$ 9,726.54</u>	<u>\$ 1,907.49</u>
Gross Profit as a Percent of Net Sales	8.8%	10.7%
Net Profit as a Percent of Net Sales	8.7%	10.7%

*Michigan Dunes Correctional Facility opened July 1978.

This statement was compiled from statements prepared by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Trust Fund
Balance Sheet

	<u>July 31, 1979</u>	<u>September 30, 1978</u>
<u>Assets</u>		
Cash in Bank	\$10,211.76	\$10,994.62
Cash on Hand	1,745.93	215.42
Resident Wages Receivable from the State General Fund	<u>11.58</u>	<u>1,123.00</u>
Total Assets	<u>\$11,969.27</u>	<u>\$12,333.04</u>
<u>Liabilities and Fund Balance</u>		
Residents' Deposits	\$11,445.89	\$10,265.84
Unredeemed Tokens	<u>523.38</u>	<u>2,067.20</u>
Total Liabilities and Fund Balance	<u>\$11,969.27</u>	<u>\$12,333.04</u>

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Trust Fund
Statement of Receipts, Disbursements and Cash Balances

	<u>10-1-78 through 7-31-79</u>	<u>7-1-78* through 9-30-78</u>
Beginning Cash Balance:		
Cash in Bank	\$ 10,994.62	\$ -0-
Cash on Hand	<u>215.42</u>	<u>-0-</u>
	\$ 11,210.04	\$ -0-
Receipts	<u>192,177.41</u>	<u>30,565.42</u>
Available	\$203,387.45	\$30,565.42
Less: Disbursements	<u>191,429.76</u>	<u>19,355.38</u>
Ending Cash Balance	<u>\$ 11,957.69</u>	<u>\$11,210.04</u>
Ending Cash Balance:		
Cash in Bank	\$ 10,211.76	\$10,994.62
Cash on Hand	<u>1,745.93</u>	<u>215.42</u>
	<u>\$ 11,957.69</u>	<u>\$11,210.04</u>

*Michigan Dunes Correctional Facility opened July 1978

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Benefit Fund
Balance Sheet

	<u>July 31, 1979</u>	<u>September 30, 1978</u>
<u>Assets</u>		
Cash in Bank	\$1,863.29	\$423.66
Cash on Hand	157.00	-0-
Inventory, Jaycee Activities	<u>3,311.81</u>	<u> </u>
Total Assets	<u>\$5,332.10</u>	<u>\$423.66</u>
<u>Liabilities and Fund Balance</u>		
Accounts Payable - Vendors (Jaycee)	\$1,489.13	\$ -0-
Fund Balance	<u>3,842.97</u>	<u>423.66</u>
Total Liabilities and Fund Balance	<u>\$5,332.10</u>	<u>\$423.66</u>

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Resident Benefit Fund
Statement of Revenue and Expenditures

	10-1-78 through 7-31-79	7-1-78* through 9-30-78
Revenue:		
Resident Store Profits	\$ 8,100.00	\$600.00
Jaycee Activities	17,833.52	257.00
Paid Movie Profits	257.25	
Contributions	235.20	
Vending Machine Receipts	56.18	
Confiscated Money	28.30	
Miscellaneous	69.00	
	<u>\$26,579.45</u>	<u>\$857.00</u>
Expenditures:		
Athletics	\$ 651.20	\$ 92.84
Movies	4,856.85	290.50
Recreation	1,513.87	50.00
Drama	180.00	
Jaycee Activities	17,231.68	
Music	223.42	
Miscellaneous	365.80	
	<u>\$25,022.82</u>	<u>\$433.34</u>
Excess of Revenue Over Expenditures	<u>\$ 1,556.63</u>	<u>\$423.66</u>

*Michigan Dunes Correctional Facility opened July 1978

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Jaycee Activities
Balance Sheet as of July 31, 1979

Assets:

Cash on Hand	\$ 40.00
Cash in Checking Account	858.84
Inventory	<u>3,311.81</u>
Total Assets	<u>\$4,210.65</u>

Liabilities and Fund Balance:

Accounts Payable - Vendors		\$1,489.13
Fund Balance:		
Profit from Store, Cards, and Picture Operations	\$3,852.61	
Dues & Contributions	<u>799.65</u>	
	\$4,652.26	
Less: Other Activity Expenses	<u>1,930.74</u>	<u>2,721.52</u>

Total Liabilities and Fund Balance \$4,210.65

Michigan Dunes Correctional Facility opened July 1978.

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Jaycee Activities (Store, Greeting Card and Picture Operations)
Profit and Loss Statement 9/1/78 to 7/31/79

	<u>Store</u>	<u>Picture Operations</u>	<u>Greeting Cards</u>	<u>Total</u>
Sales	<u>\$11,146.00</u>	<u>\$5,429.20</u>	<u>\$ 715.67</u>	<u>\$17,290.87</u>
Beginning Inventory	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Purchases	<u>11,426.71</u>	<u>3,486.26</u>	<u>1,156.12</u>	<u>16,069.09</u>
	\$11,426.71	\$3,486.26	\$1,156.12	\$16,069.09
Ending Inventory	<u>1,460.36</u>	<u>1,335.65</u>	<u>515.80</u>	<u>3,311.81</u>
Cost of Goods Sold	<u>\$ 9,966.35</u>	<u>\$2,150.61</u>	<u>\$ 640.32</u>	<u>\$12,757.28</u>
Gross Profit	<u>\$ 1,179.65</u>	<u>\$3,278.59</u>	<u>\$ 75.35</u>	<u>\$ 4,533.59</u>
Building Expense	597.81	-0-	-0-	597.81
Office Equipment Expense	<u>83.17</u>	<u>-0-</u>	<u>-0-</u>	<u>83.17</u>
Net Profit	<u>\$ 498.67</u>	<u>\$3,278.59</u>	<u>\$ 75.35</u>	<u>\$ 3,852.61</u>
Gross Profit as a Percent of Sales	<u>10.58%</u>	<u>60.39%</u>	<u>10.53%</u>	<u>26.22%</u>
Net Profit as a Percent of Sales	<u>4.47%</u>	<u>60.39%</u>	<u>10.53%</u>	<u>22.28%</u>

Michigan Dunes Correctional Facility opened July 1978.

This statement was compiled from records maintained by the Michigan Dunes Correctional Facility and is subject to the exceptions disclosed.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 School Enrollments, Completions, Noncompletions
 For the Period 9/1/78 - 5/31/79

	<u>Number of Students</u>	<u>Percent of Completions and Noncompletions to Terminations</u>	<u>Percent of Noncompletions by Detail to Total</u>
As of 9/1/78	224		
Plus New Enrollments	<u>448</u>		
Number in Program	672		
Less Number of Terminations	<u>348</u>		
	324		
Number Enrolled As of 5/31/79	<u>257</u>		
Irreconcilable Difference	<u>67</u>		
Reason for Termination:			
Completion*	52	15%	
Noncompletion	<u>296</u>	85%	
	<u>348</u>		
Reason for Noncompletion:			
Nonperformance of Resident	108		36%
Attendance Lacking	37		13%
Transferred to Another Facility	150		51%
Disciplinary Action	<u>1</u>		0%
	<u>296</u>		

*GED Certificates to date - 19; Vocational Trade Certificates to date - 4

This statistical information does not include students in the community college academic program.

The information was prepared from management's records without audit adjustments by us. The records contain duplicated head count statistics and status of 67 students enrolled was not ascertained. We disclosed this information in the body of our audit report.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Analysis of Teacher Daily Contact Time (Work Loads)
As of June 15, 1979

<u>Teacher(1)</u>	<u>Courses Taught</u>	<u>Actual Teacher-Student Contact Hours (2)</u>	<u>Budgeted Teacher-Student Contact Hours (3)</u>	<u>Actual as Percent of Budget</u>
A	Life Coping Skills	45	150	30%
B	High School Math	126	210	60%
C	High School English	114	210	54%
D	Basic Reading	135	210	64%
E	GED English	126	150	84%
F	GED Math	117	150	78%
G	Food Service	60	120	50%
H	Office Occupations	72	120	60%
I	Building Maintenance	<u>87</u>	<u>120</u>	73%
		<u>882</u>	<u>1,440</u>	<u>61%</u>

- (1) Teacher A spends 1/2 day teaching and 1/2 day testing. Teachers B,C,E, and F are each assisted by teacher aides 1/2 day. Teacher D is assisted full time by a teacher aide.
- (2) Actual teacher-student contact hours represent number of students enrolled daily in all classes based on actual count. Actual teacher-student contact is 6 class periods @ 50 minutes.
- (3) Budgeted teacher-student contact hours represent the number of students who should be enrolled daily in all classes based on the department's 1978-79 fiscal year budget. The budgeted hours for academic classes are based on the department's standard for minimum class size of 20 students per teacher per hour. The department does not have minimum class size standards for vocational classes.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Classroom Utilization
 For the Week May 21 through May 25, 1979

Room Number	Type of Instruction	Hours			Student Stations			
		Available	Used	Percent Used	Available in Classroom	Available for the Week	Used Based on Enrollment	Percent Used
1	Life Coping Skills Testing	40	30	75%	30	1,200	261	22%
2	Math	40	30	75%	31	1,240	699	56%
3	English	40	30	75%	31	1,240	396	32%
4	Reading Lab	40	30	75%	40	1,600	534	33%
5	GED English	40	30	75%	31	1,240	669	54%
6	GED Math	40	30	75%	31	1,240	495	40%
	Food Services Lab	40	30	75%	16	640	240	38%
	Office Occupations Lab	40	30	75%	38	1,520	438	29%
	Building Maintenance Lab	40	30	75%	18	720	555	77%
	Vocational CBI Lab*	40	-	-	26	1,040	-	-
	Welding Lab*	40	-	-	17	680	-	-

*Classes are being developed to use these rooms in 1979-80.

MICHIGAN DUNES CORRECTIONAL FACILITY
 Department of Corrections
 Comparison of Education Waiting List to Classroom Capacity
As of June 15, 1979

<u>Course</u>	<u>Classroom Capacity</u>	<u>Students Enrolled</u>	<u>Vacancies</u>	<u>Waiting List</u>	<u>Reduction of Waiting List Based on Full Capacity</u>
Basic Reading (1)	50	45	5	14	5
Math (1)	50	42	8	7	7
English (1)	50	38	12	3	3
GED Math (1)	50	39	11	27	11
GED English (1)	50	42	8	5	5
Life Coping Skills (1)	25	15	10	3	3
Building Maintenance (2)	36	29	7	13	7
Food Service (2)	32	20	12	4	4
Office Occupations (2)	<u>50</u>	<u>24</u>	<u>26</u>	<u>1</u>	<u>1</u>
Total	<u>393</u>	<u>294</u>	<u>99</u>	<u>77</u>	<u>46</u>

- (1) Capacity based on student/teacher ratio standard of 25:1 @ two classes per day, except for Life Counseling Skills one class per day.
- (2) Capacity based on square footage per student standards.

DESCRIPTION OF AGENCY

The Michigan Dunes Correctional Facility is a medium security prison operated under the jurisdiction of the Department of Corrections. The facility was purchased by the State for \$4.2 million in late 1977 and remodeled at a cost of \$2.3 million. The facility opened in July 1978.

The prison is located on the site of the former St. Augustine seminary near Saugatuck on approximately 549 acres of land of which about 45 acres was set aside for the prison. The remainder was set aside to develop recreation facilities by the Department of Natural Resources.

The resident population consists primarily of first-time offenders up to 29 years of age. The facility has a capacity of 394 residents with an actual resident population of 379 on August 15, 1979.

Programs and services include academic education, vocational training, counseling, recreation, religion, medical and dental.

The facility is financed by legislative appropriations from the State general fund.

Appropriations and expenditures for fiscal year 1978-79, average number of employees, average resident population, and cost per resident day is summarized in Schedule A, page 28.

Information on school enrollment and completions, teacher work loads, and classroom utilization is summarized in Exhibits 1-3, pages 37-39.

SCOPE OF AUDIT

We reviewed education and treatment programs. Emphasis was placed on evaluating the facility's method of measuring resident progress. We examined resident files on a test basis to verify that residents were placed in education and treatment programs recommended by the Reception and Guidance Center or the facility's staff.

The job readiness program was reviewed.

Our review included operations of the academic and vocational programs including curricula, teacher work loads and classroom utilization. The enrollment count, reported for budget purposes, was examined on a test basis. We examined school expenditures for propriety on a test basis.

Medical and dental services were evaluated. This included dispensing and storing of narcotics and dangerous drugs, qualification of personnel, and training of resident help. We also determined if licenses were obtained for personnel requiring them.

We reviewed procedures regarding segregation, detention and discipline of residents and tested records to determine compliance with Department of Corrections policies. Policy and procedures for providing residents due process in connection with violations of rules pertaining to resident custody and control were reviewed.

We reviewed development of fire evacuation plans, scheduling of fire drills, and inspections for compliance with fire safety laws.

Safety, security and emergency preparedness plans were reviewed for compliance with correctional standards, departmental policy and existing statutes.

We reviewed food service management practices including procurement policies and quality control of food served.

We evaluated library and recreation facilities and programs.

We evaluated wage rates for residents assigned to institutional jobs.

Policies and procedures for training employees, maintaining employee physical fitness, and qualification of employees in the use of weapons were reviewed.

Cash was counted on arrival and reconciled with related records. Bank statements were obtained for the Michigan Dunes Correctional Facility bank accounts, and the balances were reconciled with the check registers and confirmed. Canceled checks were reviewed on a test basis for numerical sequence, amounts, signatures, dates, endorsements, and propriety of payment. Cash receipts were traced to cash records and bank deposits. Cash records were added and traced to the general ledger for selected periods. Mail opening, cash handling procedures, and internal control were reviewed.

The imprest cash account was reconciled with the advance. Imprest cash expenditures were reviewed on a test basis for the audit period. Imprest cash records and procedures were reviewed for compliance with Department of Management and Budget procedures.

We reviewed internal control over cash and merchandise inventories and verified the accuracy of the accounting records for the resident benefit fund, trust fund, and store. Comparative balance sheets and statements of receipts and expenditures were prepared by us from agency records and included in our audit report. We reviewed resident benefit fund procedures, records and the propriety of expenditures on a test basis.

We reviewed the resident store operation including an analysis of gross profits. We examined procedures and internal control pertaining to purchasing, sales, receipts, and inventories.

Internal control was evaluated for supplies and materials. Agency supplies and materials accounting records were tested and reconciled to verify their accuracy. Store requisitions were reviewed for selected months, and withdrawals were traced to detail inventory cards.

The payroll for the pay period ended May 26, 1979 was reviewed on a test basis. We verified time cards to payroll, leave records, payroll deductions, gross salaries, and overtime. The propriety of personal leave credits, bonus annual leave and longevity payments was reviewed. We reviewed selected employee leave records for accuracy and compliance with Rules of the Civil Service Commission.

We reconciled the agency's general ledger revenue accounts with accounting division statements. A trial balance of the general ledger was taken July 31, 1979. All asset accounts and related liability accounts were compared and analyzed.

Batch control records for revenue and expenditures were examined to determine if they were maintained in accordance with Department of Management and Budget procedures and that the agency reconciled its records with Department of Management and Budget statements. Expenditure documents for fiscal years 1977-78 and partially for 1978-79 were reviewed on a test basis for propriety and classification.

Budget documents were reviewed for fiscal year 1978-79. Our examination included a review of legislative appropriations acts.

Our examination also included a review of records, procedures, and internal control relating to capital outlay work orders, telephone service, resident postage, motor vehicle usage, and contractual services.

The operation of the dental clinic, food service, housekeeping, and contractual services was reviewed.



END