

Report To  
**The Mississippi Legislature**



AN ANALYSIS OF THE CANTEEN OPERATIONS AND RELATED AREAS AT THE  
MISSISSIPPI STATE PENITENTIARY AT PARCHMAN

May 7, 1981

The canteen system at the State Penitentiary is an integral part of the prison economy, generating \$434,000 in sales in FY 1980. Operated on currency, the canteens are an inherent security risk and are a possible source of contraband and illicit cash transactions. The system consists of a central canteen which functions both as a retail outlet for sales to employees and as a source for supplying the twenty-one inmate-operated camp canteens.

Under current policies and procedures there are opportunities for serious abuse by inmate operators and the prison administration. The Department of Corrections should correct weaknesses in inventory procedures, cash overages and shortages, price lists, internal accounting controls, use of profits, and general management of the system.

By

**The PEER Committee**

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MISSISSIPPI STATE PENITENTIARY AT PARCHMAN

May 7, 1981

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At its meeting on May 7, 1981 the PEER Committee authorized release of its report entitled An Analysis of the Canteen Operations and Related Areas at the Mississippi State Penitentiary at Parchman.

*Charlie Williams*  
 Representative Charles V. Williams, Chairman

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JOINT LEGISLATIVE COMMITTEE  
ON PERFORMANCE EVALUATION  
AND EXPENDITURE REVIEW

AN ANALYSIS OF THE CANTEEN OPERATIONS AND RELATED AREAS AT THE  
MISSISSIPPI STATE PENITENTIARY AT PARCHMAN

EXECUTIVE SUMMARY

The canteen system, whereby inmates are provided an avenue for purchasing personal necessities and certain luxuries, is an integral part of prison life at Parchman. The system generally is designed to meet the purchasing needs of each inmate and to provide some rehabilitative skills to the inmates working within the canteen system.

The canteen operations at Parchman involve two separate areas - a Central Canteen and twenty-one inmate canteens. The Central Canteen is a small grocery store operation maintained by a Canteen Manager and three full-time clerks. Each inmate unit has a small canteen to provide snacks and approved personal items, such as deodorant, shaving powder, cigarettes, etc., to the inmates. Theoretically, all items sold from the inmate canteens are purchased from the Central Canteen, except ice cream which is purchased directly from the vendor by the inmate canteen operator. All profits from the operation of the Central Canteen are deposited into the Canteen Fund, which is set aside primarily for the purchase of recreation equipment for the inmate units. Any profits generated from the operation of the inmate canteens are either reinvested into the canteen or kept by the inmate operator.

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Each unit administrator, in conjunction with the Central Canteen Manager, is responsible for the security and operation of the inmate canteens. The Assistant Comptroller for the Department of Corrections, who is located at Parchman, is responsible for the supervision of the accounting aspect of the canteen operation. A part-time Canteen Fund accountant is located within the Assistant Comptroller's office and is responsible for the canteen books.

The primary purpose of this review was to determine if the Penitentiary canteen system was functioning properly and efficiently. The review concentrated on the following areas: the Central Canteen, the inmate canteens, and accounting for the Canteen Fund and related areas.

#### Central Canteen

The Central Canteen appears to be fulfilling its mission of providing merchandise to the inmate canteens and the prison work force. Despite this accomplishment, the following weaknesses were evident:

1. The Central Canteen is not conducting an inventory of inmate canteens frequently enough. (See pages 24 and 25.)
2. The Central Canteen has not dealt with the inmate canteens' overages and shortages in a consistent manner. (See pages 25 and 60.)
3. The Central Canteen receives a substantial number of insufficient fund checks on a regular basis. (See pages 31-33.)

#### Inmate Canteens

The twenty-one inmate canteens are providing the inmate population with an adequate supply of goods and sundry items. However, the present inmate canteen setup contains several weaknesses.

1. Most inmate canteen operators are not using the Central Canteen price list as the basis for the retail price on the goods sold. The operators, in many cases, are charging their fellow inmates substantially inflated prices for items purchased from the canteen. (See page 11.)
2. Financial responsibility for the operation of the inmate canteens has not been established. (See pages 11 and 12.)
3. PEER found unsanitary conditions and obvious violations of health regulations in many of the inmate canteens. (See page 13.)

#### Canteen Accounting

The following major accounting weaknesses were evident:

1. Canteen cash receipts are not deposited on a daily basis. (See page 17.)
2. The Canteen bookkeeping and bank statement reconciliation functions are not segregated. (See pages 19 and 20.)
3. The Canteen accountant is a signatory on the Canteen Fund checking account. (See pages 16 and 17.)
4. No written procedures exist for the control of overages and shortages in the daily sales in the Central Canteen. (See pages 18 and 19.)

#### Canteen-Related Areas

The following weaknesses were noted in Canteen-related areas:

1. The Recreation Department has an unauthorized Band Cash Fund which is currently maintained by the Band Director from his personal money. (See pages 25-27.)
2. The Recreation Department does not appear to have any short-range or long-range recreation plans to benefit the inmates. (See page 35.)
3. The Assistant Comptroller's office does not maintain a perpetual inventory of records and tapes sold by the prison band. (See pages 25-27.)
4. Canteen Fund profits are being used to provide loans and grants to inmates upon their release (for transportation,

meals, rental deposits, and other items). (See pages 30 and 31.)

In FY 1980 the canteen operations at Parchman generated \$434,000 in sales, a majority of which was sales to the inmate canteens. Any operation which circulates a significant amount of money such as this in a prison environment, especially if inmates handle the cash as is the case at Parchman, represents a potentially dangerous situation which must be closely monitored and tightly controlled to prevent misappropriation and misuse of funds. Current canteen practices afford many opportunities for abuse and cause concern that the canteen system may be providing funds for illegal activities such as narcotics traffic, bribes, extortion, and gambling. The recommendations contained in this report, if implemented, will tighten controls and thereby make it more difficult to divert funds from the proper channels, but they will not totally eliminate the opportunities to do so. It is doubtful if the problem can be completely eliminated, except possibly by closing all canteens, which is unacceptable. However, improvement over the current situation is possible, if properly supported by management. Basic to proper support is an awareness of the problem and the desire to do something about it. Without strong management and constant attention, the situation could easily worsen.

The PEER Committee recommends the following:

1. The Inmate Welfare Fund Committee should be reorganized and rejuvenated with written policies and procedures to govern the operation of the canteen system and control the expenditures of the Canteen Fund profits.
2. A policy and procedure manual should be written by the Assistant Comptroller's office for the entire canteen operation.
3. The internal controls of the canteen system should be strengthened by -

- a. segregating the record keeping and cash disbursement functions;
  - b. depositing all cash receipts on a daily basis;
  - c. making all entries to the records on a timely basis;
  - d. conducting inventories which have a simultaneous cutoff of purchases and sales; and
  - e. requiring proper approval and documentation of all purchases.
4. A canteen price list should be furnished twice a month to each unit administrator and inmate canteen operator. The price list should be posted in full view of the inmate population and should be followed exclusively unless otherwise authorized by the Central Canteen Manager.
  5. The responsibility for the security and operation of the inmate canteen should rest with the unit administrator.
  6. The inmate canteens should be operated on a strict imprest basis, with definite policies for handling cash shortages and/or overages.
  7. The Central Canteen staff and the Assistant Comptroller should attempt to explain to the inmate population, either in writing or orally, the state laws requiring Penitentiary inmates to pay state sales taxes on goods purchased from the Canteen.
  8. The business office should set up a Petty Cash account on the Canteen Fund books or establish a system of cash advances to control the expenditure of all band-related funds. Expenditures should be supported by appropriate documentation. A fee schedule for the band engagements should be set by the Inmate Welfare Committee with the aid of the Band Director.
  9. A detailed plan of operation for the Recreation Department should be devised and approved by the Inmate Welfare Fund Committee. The plan should include the short-range and long-range goals of the program, the number and type of equipment purchased and maintained, and the criteria for determining the equipment allowed in each unit.
  10. The Department of Corrections should consider a central inmate craft store either within the Central Canteen or at an alternate location in Jackson or the Gulf Coast.

\* \* \* \* \*

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## INTRODUCTION

The present review of the general operations of the canteen system at Mississippi State Penitentiary included an examination of internal controls over the financial operations, physical inventories of the inmate canteen assets, and an examination of the accounting procedures employed. The review also included the related operations of the prison band, rodeo, and Recreation Department. The prison band, the prison rodeo, softball tournaments, and band record sales are all potential revenue-producing activities which may contribute to the Canteen Fund operations, the profits of which are used for the inmates' welfare.

The prison canteen operations provide the inmate with a facility at which to purchase snacks, cigarettes, and other authorized items. Individual canteens are located at each of the prison units and are operated by inmates. A Central Canteen, located near the administration building, serves as a warehouse for all inmate canteens and as a retail outlet for prison employees and visitors.

### Methodology

Several field visits were made to the Mississippi State Penitentiary at Parchman to gather accurate information concerning the prison canteen system. Numerous interviews were conducted with inmates, canteen employees, administrative officials, and others. Each inmate canteen was inventoried, and an interview was conducted with the inmate operator and the unit administrator. Accounting procedures were re-

viewed with special attention given to internal controls. In addition, a survey was conducted of eleven southern states for information concerning policies and procedures relative to their canteen operations.

## CENTRAL CANTEEN OPERATIONS

### General Overview

The Central Canteen resembles a small grocery store in most aspects of its operation and provides two major services for the inmates and employees at Parchman. Its primary function is to supply authorized items to the inmate canteens in accordance with the individual canteen needs and desires as specified by orders from the canteens. All sales to inmate canteens by the Central Canteen are at retail price (i.e., wholesale price plus 20 percent). Inmate canteens theoretically in turn sell the items to inmates at retail cost. Although the Central Canteen Manager has no supervisory authority over the inmate canteen operators, unit administrators rely heavily on her to oversee and provide advice and recommendations on the business aspects of their canteen operations such as what and how many items to stock, adherence to the rules by the inmate operator, prices that should be charged, imprest amounts, etc.

Another function of the Central Canteen is to provide a retail outlet for the sale of various and sundry items to the employees at Parchman. The Central Canteen also operates a grill which serves sandwiches, hamburgers, and plate lunches.

The Central Canteen stocks most of the items usually found in a small grocery (except meats) and maintains an inventory averaging \$38,000 retail. Monthly sales approximate \$37,000. Four employees are authorized - one Manager and three clerks. One of the clerk positions is vacant. Employees are paid by the state, which is reimbursed for the

gross salaries from Canteen profits. Several inmates also work without pay for the Canteen. The Canteen is open 8:00 a.m. to 5:00 p.m. Monday through Friday.

#### Operation of the Central Canteen

Grocery supplies are obtained from two major wholesalers who deliver once a week. Tobacco, cosmetics, drinks, candy, and like items are purchased from four major suppliers who deliver on staggered days. The Canteen Manager attempts to distribute purchases equally among all suppliers. Supplies are stored in the Central Canteen storeroom, which is an integral part of the Canteen, or on the Canteen shelves. The building is adequately heated and cooled to inhibit spoilage and is securely locked after hours. Only the Manager and the Assistant Comptroller have a key. The locks are changed at irregular intervals.

Price inventories, in which the number (only) of items with their selling prices are counted, are conducted by the Canteen staff quarterly and spot-checked by the Assistant Comptroller. A more detailed inventory which is observed and spot-checked by state auditors and the prison auditor is conducted twice a year. The results of the inventories are not compared to purchases, sales, or anything else, nor used for any purpose other than possibly to determine the value of merchandise on hand for insurance purposes. In order to determine if the inventory in the Central Canteen is the amount it should be, the purchases and sales of merchandise must be cut off simultaneously with the inventory count. The physical count would then be compared with the information in the books and any discrepancies appropriately handled. There are no written instructions on inventory procedures.

Orders from inmate canteens are taken by phone twice a week on a staggered schedule. The order is written out, made up, and delivered in a prison-owned truck the same day. The inmate canteen operator pays for the order in cash to the Central Canteen delivery clerk.

Ice cream sales are handled separately. Denton's Dairy Products, Inc., is the only supplier and delivers directly to the unit canteens. Orders are placed with the driver upon his arrival at the unit and are paid at that time. The money collected includes the wholesale price plus 5 percent sales tax and 5 percent surcharge. The surcharge is remitted to the Central Canteen by Denton once a month. The inmate canteen operator sells ice cream products to inmates for 10 percent above his cost.

The Central Canteen attempts to inventory all inmate canteens at least once a month. Substantial overages or shortages are referred to the Assistant Comptroller for a decision. If a break-in can be proven, the Central Canteen absorbs the loss. Otherwise, the inmate operator or the unit administrator is required to repay the deficit. Overages are usually left in the inmate canteen, although the Central Canteen did on several occasions confiscate an overage.

Penitentiary employees are not allowed to charge at the Central Canteen but may write checks, unless they have written bad checks in the past. The names of those who write a bad check are on public display on the Canteen bulletin board.

Proceeds from canteen operations are counted jointly by the Central Canteen Manager and an accountant from the Assistant Comptroller's office at 3:00 p.m. each business day, entered on a deposit slip, and placed in the Penitentiary vault until deposited in the bank. Bank deposits are usually made two to three times a week and are credited to

the "Canteen Fund" account, which is the same account in which proceeds from the annual rodeo, band concerts, record sales, and softball games are deposited. Financial statements for this fund are prepared quarterly.

#### Unit Administrator

The involvement of unit administrators, and their concept of their responsibilities, in the operation of inmate canteens varies widely among units. Most unit administrators consider the canteens an inmate operation and allow the inmate operator a free hand in running it, stepping in only in case of problems. At the other extreme, one administrator at Unit 46 maintains "full control" and is heavily involved in all aspects of canteen operations. In the great majority of cases, however, as long as there is no trouble, the unit administrator tends to leave the canteen operations to the inmate operator. This is reflected by the fact that only eleven of the unit administrators have a personal key to the canteen in their units; the inmate operator keeps the only key to the canteen in the other units.

The method of selection of an inmate operator is fairly uniform among units. The Central Canteen Manager usually recommends one or more inmates' names to the unit administrator, who has the final say in who is selected. The nominees are usually inmates with experience in retail operations, sometimes former canteen operators, and not necessarily assigned to the unit where an operator is needed. The unit administrator is not required to select from those recommended but usually does. The inmate chosen by the unit administrator may refuse the job but rarely does. The position is usually very easy to fill because it af-

fords a certain amount of privacy and privileges to the operator. The unit administrators indicated that the problem was not to find a volunteer but rather to find a reliable, capable inmate among the volunteers.

Methods for handling shortages and overages vary also among units. In the case of shortages, five unit administrators indicate that they feel a personal responsibility and would replace the money from their own personal funds. About the same number of unit administrators say that the Central Canteen should take care of shortages. The others would collect from the inmate operators. As for overages, seven camps state that the Cent. Canteen would handle them, six say that the overage would be retained in the canteen, and most of the rest either did not know or had never had an overage. Only two units say they would turn the overage in to the Central Canteen. (One unit administrator related an unresolved problem concerning the handling of overages. See page 59.)

The unit administrators are almost unanimous in stating that guards do not buy outside goods for sale in the Canteen, nor make special purchases for inmates. Two admitted exceptions involved the purchase of string for string art crafts.

Most of the units sell crafts to visitors. All who do, handle craft sales separately from Canteen sales, although the Canteen operator or the Canteen room may be involved in the sales. Inmates who make crafts handle the sales of their own wares and collect the money themselves. Each unit administrator, with no guidance from the prison administration, formulates a policy for inmate craft sales. Various components of these policies, such as hours of sales, types of crafts, disposition of proceeds, etc., vary from unit to unit. Generally, most

unit administrators have a procedure whereby cash over \$20 is collected from inmates after visiting day and deposited in the individual's personal account.

The average level of experience as unit administrators for the twenty-one units visited was somewhat over four years. The range was from one month to nineteen years. No correlation between years of experience and degree of involvement in canteen operations was evident.

## INMATE CANTEEN OPERATIONS

### Hours and Personnel

Inmate operators are selected by unit administrators, upon a recommendation from the Central Canteen Manager. Inmate operators do not receive any direct benefits or financial remuneration for operating the canteens. However, most operators take the liberty of eating some of the stock or smoking cigarettes from the canteen. Eleven of the twenty-one operators also are allowed to sleep in their canteens on a permanent basis. There is a fairly high turnover rate among inmate operators. Presently, the length of service among inmate operators ranges from one month to seven years.

Each inmate operator has established definite hours of operation to accommodate the purchasing needs of the unit's inmate population. These hours vary quite substantially from unit to unit. For example, Unit 1 initially opens for business each day at 6:00 a.m., while most of the other units open an hour or two later. Unit 12 closes its operation at midnight each day, while most of the other units close at 9:00 p.m. or 10:00 p.m.

Nine of the twenty-one inmate canteen operators have assistants, usually other inmates, who periodically operate the canteens. The remaining twelve operators rely on the unit administrator or Central Canteen personnel to operate the inmate canteen in their absence.

### Security of Cash and Inventory

One important responsibility of the unit administrator and the inmate canteen operator is the security of the canteen cash and inventory.

To insure not only adequate but maximum protection, it is necessary to control access to each inmate canteen. Each of the twenty-one inmate canteens is located in a secure area within the unit. In eleven of the units, a key to the canteen is kept by the inmate operator and the unit administrator or his representative. In the remaining ten units, only the inmate operators have a key. The security of cash varies substantially from unit to unit. Fourteen of the canteen operators keep the cash in a locked drawer, strong box, or safe within the locked canteen. The remaining seven operators keep the cash unlocked in a drawer or on a shelf within the locked canteen. In most cases, only the inmate operator or his assistant has access to the cash.

#### Operation of the Inmate Canteen

Upon its establishment, each inmate canteen is given an "imprest" amount of merchandise and cash. For example, if a unit were given \$270 in merchandise and \$30 in change money to begin its canteen operation, then the money generated from the sale of the merchandise would be used to buy more items for resale. In theory, if the prescribed pricing policy is followed, the value of the inmate canteen always should equal the imprest amount; there should be no overages or shortages. The Central Canteen Manager primarily is responsible for analyzing the inmate population of a unit to determine what its canteen's imprest amount should be. As a unit's inmate population fluctuates, the inmate operator can request that the imprest amount be adjusted accordingly. The unit administrator, usually in conjunction with the Canteen Manager, also determines what type items may be sold in each inmate canteen. For example, units containing C custody or high risk inmates are not allowed

to sell items in glass jars, tin cans, etc. Canteens serving A custody or low risk inmates are allowed to sell these items.

Twice weekly the Central Canteen Manager calls each inmate operator to determine which items are needed to restock the canteen. The orders are delivered to each canteen by the employees of the Central Canteen. The inmate operator pays cash for the delivery of canteen items and is given a copy of the order form to indicate receipt of the delivery. Twelve of the canteen operators, on occasion, make "buying trips" to the Central Canteen to select new or different items for resale in their canteens.

The Central Canteen provides each inmate operator with a monthly retail price list for most of the items sold in the inmate canteen. However, only seven inmate operators interviewed indicated that they utilized the price list solely when they sold items from their canteens. The remaining fourteen inmate operators indicated that they used their order invoices as well as the price list to establish a retail price for their items. During the inmate canteen inventories conducted by the PEER staff, it was noted that several inmate operators had priced many items substantially higher than the Central Canteen price list.

According to Mississippi Code section 27-65-1 et seq., Penitentiary inmates also are required to pay state sales tax on items purchased from the canteens. Most of the inmate operators do collect sales tax on sales and have access to a sales tax chart or a calculator to assist them in computing sales tax.

On an infrequent and unannounced basis, employees from the Central Canteen conduct an inventory of each inmate canteen. The purpose of the inventory is to determine how much variance each canteen has from its

imprest amount. Interviews by PEER staff members with inmate operators indicated that most of the operators were uncertain as to how overages or shortages from the imprest amount would be handled by the Central Canteen Manager. Most of the operators said that they would keep any overages for their own personal use or invest it in more merchandise for the canteen. Twelve of the twenty operators said that they had never experienced a shortage, while the remaining nine indicated that they would be personally liable for any shortage. Inmate operators are allowed to use the profits from the sale of ice cream, coffee, and popcorn to correct minor shortages.

#### Ice Cream Sales

At the time of the audit, twelve of the twenty-one inmate canteens sold ice cream to the inmate population and visitors from the "free world." Most of the remaining nine units indicated that they planned to sell ice cream during the summer months.

The ice cream coolers in each inmate canteen are provided by Denton Dairy Products, Inc., the only supplier of ice cream products. During the summer months, the Denton's delivery truck makes a weekly delivery to each inmate canteen selling ice cream. The inmate operator is responsible for determining the quantity and selection of the ice cream purchase. The operator pays cash for the delivery and receives a duplicate copy of the ice cream order form. In addition to paying state sales tax on the ice cream purchase, the operator is required to pay a 5 percent delivery surcharge to Denton's. The delivery surcharge is rebated by Denton's on a monthly basis to the Central Canteen and deposited in the Canteen Fund bank account. The rebate is the only

"profit" received by the Central Canteen from inmate ice cream sales. The Central Canteen price list contains prices for most ice cream products sold by the inmate canteens. All of the ice cream prices on the price list contain a 20 percent markup - 5 percent for sales tax, 5 percent for the delivery surcharge, and 10 percent profit for the inmate canteen. The 10 percent profit usually is used by the inmate operator for his own personal use, to purchase additional stock from the Central Canteen, or to correct minor shortages.

#### Health Regulations

The inmate canteens at Parchman reportedly have never been inspected, either by the prison administration or the State Board of Health, for violations of health standards. On April 10, 1981, officials of the Food, Vector Control, and Sanitation Branch of the State Board of Health were shown color slides of several of the inmate canteens. The health officials noted several violations of health standards. Some of the violations were -

1. poor ventilation;
2. excess heat caused by drink machines and ice cream coolers;
3. homemade foods stored and possibly sold in the canteen; and
4. poorly painted areas within the canteens.

#### Maximum Security Unit Canteen

The canteen serving the Maximum Security Unit (MSU) has several unique features. First, the MSU canteen has the smallest imprest inventory, \$100, of any of the units, approximately half of the next largest inmate canteen. Second, because of the requirement for heavy security in MSU, the canteen is severely limited in the types of items

it can sell (i.e., no items which could conceivably cause harm or be used as weapons). Also, for the same reason, MSU inmates rarely are allowed out of their cells. Therefore, canteen sales are made from a cart which is pushed down the Unit's tiers at irregular intervals.

During the course of the Canteen audit, eight inmates confined to MSU were interviewed on two occasions concerning their knowledge of the Unit's canteen. Inmates from each of the Unit's four tiers were selected without the prior knowledge of the Unit's administrator and guards and were interviewed independently. Each of the inmates interviewed lodged several complaints against the Unit's canteen operation. The major complaints are as follows:

1. The prices charged for items by the MSU canteen operator allegedly are substantially higher than those allowed on the Central Canteen price list. This complaint primarily is based on the inmates' observations of prices on items for sale in the Law Library.
2. MSU inmates are not provided with a Central Canteen price list. Because inmates do not have access to a price list, they pay the price designated by the canteen operator; they have no way of knowing if they have been overcharged or have received the correct change.
3. Items not regularly available on the canteen cart, but available at the Central Canteen and allowed at MSU, have to be "special ordered" by the inmates. The inmate canteen operator purchases the items from the Central Canteen and makes them available to the requesting inmates. Some of the inmates interviewed claimed that an additional "service charge" is applied "to the already inflated" price of the special ordered item.
4. Most of the inmates interviewed indicated that the canteen cart is run on a very irregular basis. One inmate claimed that as many as three weeks had passed between canteen calls.

#### INTERNAL CONTROL

The internal controls of the Mississippi State Penitentiary (MSP) Canteen Operations have been reviewed to determine the reliability of the accounting records, the soundness of practices employed, and the quality of accounting work performed.

Internal accounting controls consist of a plan of organization under which employees' duties are arranged and records and procedures designed so as to enable effective accounting control to be exercised over assets, liabilities, revenues, and expenditures. Under such a system, the work is subdivided so that no single employee, and preferably no one group of employees, performs a complete cycle of operations. Each of the functions of authorization, cash handling, record keeping, and asset custody should be performed by different employees or groups. Moreover, under such a system, the procedures to be followed are in written form and require proper authorizations by designated officials for all actions to be taken.

A satisfactory system of internal control exhibits the following characteristics:

1. A plan of organization which provides appropriate segregation of functional responsibilities
2. A system of authorization and record procedures adequate to provide reasonable accounting control over assets, liabilities, revenues, and expenses
3. Sound practices to be followed in performance of duties and functions of each of the organizational departments
4. Personnel with qualifications commensurate with responsibilities

5. A reliable system of internal control which effectively detects and corrects data processing errors

The existence of the necessary internal controls required under generally accepted accounting principles was determined through interviews with appropriate canteen personnel and examination of various records of canteen-related transactions. A discussion of each area reviewed follows and is arranged by accounting category. Included in each section is a discussion of any internal control weaknesses.

#### Cash Disbursements

Prenumbered checks are used for all disbursements. The checkbook is kept in a locked filing cabinet, thus limiting its accessibility. Four signatories are authorized for the Canteen Fund (also known as Inmate Welfare Fund) checking accounts: the Canteen Accountant, the Assistant Comptroller, the Administrative Secretary, and the General Fund Accountant. Two signatures are required for payment.

A limited examination of paid invoices revealed that appropriate documentation supported the payments and that the invoices had been approved by the Assistant Comptroller. The approval process for cash disbursements originally included approval by the Inmate Welfare Fund Committee. The Committee has been inactive for the past one and one-half years and delegated its approval authority to the Assistant Comptroller. The Committee has now reorganized and will again be a part of the disbursement approval process.

Internal control weaknesses in the area of cash disbursements include the following:

1. The Canteen Accountant is one of the signatories on the Canteen Fund checking account. She has responsibility for the record keeping on the Canteen Fund; therefore, she should not be able to sign checks for payment of any Canteen purchases.
2. A check protector is not used for all disbursements. The check protector should be used on all disbursements of cash, including those checks payable to rodeo performers.

#### Cash Receipts and Revenues

All canteen-related receipts of cash flow through the cash register in the Central Canteen. Each afternoon the General Fund Accountant closes out the cash register with the Canteen Manager. Both count the money and compare the register tape. A large (over \$20) shortage or overage is reported to the Assistant Comptroller for follow-up. (See Cash Short and Over section on page 18 for further details.) The General Fund Accountant prepares a deposit of the day's receipts and places it in a lock box (to which he has the only key) in the vault located in the Administration Building. Penitentiary security personnel accompany the General Fund Accountant to the bank in Drew two or three times a week. The Canteen Accountant receives the bank-approved deposit slip, completes the daily summary sheet, and makes appropriate entries in her books. No receipts are issued in the transfer of cash collections from the Central Canteen to the business office or from there to the vault.

Cash receipts were traced from the point of collection (cash register tape) through the books to final deposit in the bank. Entries in the books were also traced to bank-verified deposit slips. No discrepancies were discovered.

Internal control weaknesses in this area include the following:

1. Cash deposits to the bank are made two or three times a week. Daily deposits of all receipts should be made to exert proper control over cash collections.

2. No receipts are issued in the transfer of cash collections. The Canteen Manager should sign over the day's collections to the General Fund Accountant who in turn should obtain a receipt when the money is placed in the vault. The receipts should be prenumbered for control. This would properly account for all transfers of cash.
3. The daily summary sheet is usually completed after the deposit slip is received. Small amounts of cash could be hidden in "Cash Short and Over" if proper control is not exercised. The Canteen Accountant could obtain the shortage or overage from the Canteen Manager each day and match this with the bank-approved deposit slips.
4. Checks are not identified on each deposit slip by maker and amount to allow for any necessary follow-up.

Cash Short and Over

The Cash Short and Over account in the General Ledger had a debit balance of \$470.78 as of February 28, 1981, which means that a cumulative shortage exists for the Central Canteen in the current fiscal year. (See Exhibit 1 below for the details.) Seven out of the eight months examined in the current fiscal year showed a cumulative shortage at the end of the month. These shortages ranged from \$16.50 to \$274.44 in cumulative monthly figures and from less than \$1 to over \$125 on a daily basis. The proper range for good control should be no more than \$5.

EXHIBIT 1

SUMMARY OF FY 1981 CENTRAL CANTEEN CASH SHORT AND OVER

<u>Month</u>	<u>Cash Short</u>	<u>Cash Over</u>	<u>Cash Short or (Over)</u>
July 1980	\$368.88	\$180.49	\$188.39
August 1980	306.28	158.80	147.48
September 1980	419.51	145.07	274.44
October 1980	229.17	212.67	16.50
November 1980	253.75	124.49	129.26
December 1980	244.07	172.54	71.53

EXHIBIT 1 (Continued)

<u>Month</u>	<u>Cash Short</u>	<u>Cash Over</u>	<u>Cash Short or (Over)</u>
January 1981	163.98	258.00*	(94.02)
February 1981	221.10	99.56	<u>121.54</u>
CUMULATIVE CASH SHORTAGE			\$ 855.12
Error in Deposit Balance per Audit			<u>(408.34)*</u>
Balance per Books			<u>446.78</u>
DIFFERENCE			<u><u>\$ 24.00**</u></u>

SOURCE: Canteen Fund Sales Journal and General Ledger.

\*Books show \$666.34, which includes an error in a deposit \$(408.34) that should not affect cash short or over.

\*\*Unlocated error.

When presented with the situation, the Assistant Comptroller stated that although no written procedures now exist for handling overages and shortages in the daily sales in the Central Canteen, he was in the process of compiling a procedures manual for the entire Canteen operation. The unwritten procedures for handling overages and shortages include a review by the Canteen Accountant and follow-up by the Assistant Comptroller. There was no evidence to support this statement.

Obviously, the internal control weakness in this area is the fact that no written policies exist for the control of cash shortages and overages. The problem should be addressed immediately in order to account for the funds. The possibility of register errors or of someone taking the money should be thoroughly investigated.

Bank Reconciliation

The March bank statement for the Canteen Fund checking account from the United Southern Bank was delivered unopened to PEER staff members

who reconciled it with entries in the General Ledger and found no discrepancies.

The internal control weakness in this area is the fact that the Canteen Accountant reconciles the bank statement. This violates the internal control principle that all bank accounts should be reconciled by someone other than employees who participate in the receipt or disbursement of cash.

#### Accounts Receivable

The Central Canteen extends credit through the use of purchase orders to the Guest House and designated departments on the Penitentiary grounds. The central accounts payable office receives a copy of the purchase order. The Canteen Accountant receives a check in payment of these charges from accounts payable (central) quarterly. The Canteen Accountant receives no paperwork concerning any credit charges at the Central Canteen; therefore, she makes no entries in her books until the check is received and "rung up" on the Canteen register as a cash sale. No subsidiary ledger is maintained for each department's charges and payments; therefore, only the amount of the charge is recorded in the General Ledger.

This practice violates the internal control principle that states that the billing function (accounts receivable) should be separated from the collection (cashiering) function. A subsidiary ledger of all charges and payments should also be maintained.

#### Purchasing and Accounts Payable

The current policy in Canteen accounting is to require an approved purchase order to accompany an invoice before payment can be made. This

policy does not apply to merchandise purchases for resale and travel reimbursements. All other expenditures must be supported by an approved purchase order. As mentioned earlier, the Inmate Welfare Fund Committee has been inactive until recently so the approval authority has rested with the Assistant Comptroller.

Items for resale in the Central Canteen are delivered directly to the Canteen Manager. The clerks in the Canteen compare the delivery to the actual invoice which is hand delivered by the truck driver. These invoices are picked up by the Canteen Accountant at the end of the month. Ideally, the original invoice would be sent directly to the Canteen Accountant who would compare it with a receiving report completed by the Canteen clerks. The receiving report is usually a copy of the original invoice without quantities or prices. The quantities received should be written on the invoice copy and sent to the Canteen Accountant for matching with the original invoice.

Other items purchased from the Canteen Fund are supposed to be delivered to the central warehouse where a receiving report is completed.

Adjustments to accounts payable usually come through a credit memorandum, either given to the Canteen Manager by the vendor representative or received directly from the vendor through the mail. The credit memorandums are deducted from the invoices to be paid, and then the net amount is posted to the accounts payable subsidiary ledger.

Original invoices were traced to the appropriate ledgers and to the cancelled checks. A random sample of cancelled checks was also vouched to the original invoices. No discrepancies were discovered except that several of those invoices did not have proper approval for receipt of the merchandise in the Central Canteen.

Internal control weaknesses in this area include the following:

1. Several expenditures had little supporting documentation (in the band and rodeo operations). Good internal control requires the use of purchase orders for all expenditures.
2. Credit memorandums received from vendors are not posted to the ledgers. In this way the credit memorandums representing shortages, returned merchandise, or damaged merchandise never reach the Canteen records. Therefore, management is limited in its review of vendor services.
3. Central Canteen personnel prepare receiving reports from original invoices. Control is lost when a separate receiving report is not completed.
4. Many invoices for merchandise purchased by the Central Canteen did not carry proper documentation as to receipt.

Imprest Balances and Merchandise Inventories

On March 17, 18, and 19, 1981, PEER staff took inventory of the merchandise and counted cash in each of the twenty-one inmate canteens in Parchman. The two two-man teams also conducted interviews of each unit administrator and each inmate canteen operator through specific questions designed for each position. The results of these interviews are found on pages 6-8 and pages 9-12, respectively.

Several canteens were significantly short or over their imprest balances. An imprest balance represents the initial amount of inventory and cash given to a particular canteen, based on its size and custody level. Theoretically, the cash plus the merchandise on hand at any time in a canteen should always equal the canteen's imprest balance. In actual practice, due to the influence of the factors described in the following list, it is difficult to determine the true difference between the imprest balance and each canteen inventory in order to analyze the resulting shortage or overage.

1. The Central Canteen has a 20 percent markup on its merchandise. Both "free world" customers and inmate canteens purchase the merchandise at the same prices. No additional profit is supposed to be added before sale to the inmate population. Denton Dairy delivers ice cream directly to the inmate canteens. The canteens purchase the ice cream at cost plus 10 percent (includes sales tax and a surcharge which is remitted by Denton Dairy to the Central Canteen). In turn, the ice cream is sold at an additional 10 percent profit in some of the canteens, but not in all.
2. All inmate canteens purchase Hostess-brand cakes from the Central Canteen at \$.28 each, but many canteens sell them at the factory-marked prices which range from \$.31 to \$.41 each. This practice provides additional profit in the canteens.

This additional profit charged to the inmate population in some of the canteens should cause an overage in the cash count and inventory, but pilfering decreases the possibility of this occurrence.

Exhibit 2 below shows the shortages and overages found in the inmate canteen inventories taken by PEER staff. Central Canteen inventory files were reviewed in order to analyze the overages and shortages in the inmate canteens from January 1980 to March 1981. The records showed that these differences have been occurring without follow-up for a long time. This fluctuation in inventory amounts as reflected from count to count merits an investigation into the operation of the various canteens.

EXHIBIT 2

INVENTORY OF INMATE CANTEENS BY PEER STAFF

<u>Location</u>	<u>Date of Inventory</u>	<u>Imprest Amount</u>	<u>Inventory</u>	<u>Over or (Short)</u>
Unit 1	March 18, 1981	\$ 888.86	\$ 839.61	\$( 49.25)
Unit 3	March 17, 1981	617.09	602.47	( 14.62)
Unit 4	March 17, 1981	625.83	847.16	221.33
Unit 7	March 17, 1981	836.28	568.08	(268.20)
Unit K-9	March 17, 1981	201.81	203.88	2.07
Unit 10	March 18, 1981	500.80	496.62	( 4.18)

EXHIBIT 2 (Continued)

<u>Location</u>	<u>Date of Inventory</u>	<u>Imprest Amount</u>	<u>Inventory</u>	<u>Over or (Short)</u>
Unit 12	March 17, 1981	592.00	516.70	( 75.30)
Unit 16	March 18, 1981	625.00	636.45	11.45
Unit 20	March 18, 1981	599.97	566.58	( 33.39)
Unit 22	March 19, 1981	481.01	514.41	33.40
Unit 23	March 18, 1981	1,033.85	1,010.17	( 23.68)
Unit 24	March 19, 1981	866.11	708.19	(157.92)
Unit 24-Extension	March 19, 1981	800.00	838.11	38.11*
Unit 25	March 18, 1981	750.11	631.82	(118.29)
Unit 26	March 19, 1981	931.80	707.85	(223.95)
Unit 27	March 18, 1981	365.16	386.28	21.12
Unit 28	March 18, 1981	736.67	725.91	( 10.76)
Unit 46	March 17, 1981	250.00	249.43	( .57)
Front Camp	March 19, 1981	774.81	735.12	( 39.69)
Reception and Diagnostic	March 18, 1981	519.77	496.75	( 23.02)
Maximum Security Unit	March 18, 1981	100.78	99.88	( .90)
<b>NET SHORTAGE</b>		<u>\$13,097.71</u>	<u>\$12,381.47</u>	<u>\$(716.24)</u>

SOURCE: Physical inventories.

\*Recounted March 25, 1981. Net result - \$180.85 over.

According to Central Canteen personnel inmate canteens are inventoried periodically on a random basis. Approximately sixty-nine inventories on twenty-one inmate canteens have been taken by Central Canteen personnel over the past fifteen months (January 1980 through March 1981), and at least one inventory per canteen has been conducted by PEER staff (March 1981). According to Central Canteen records, the Maximum Security Unit and Unit 24-Extension have not been inventoried by Central Canteen personnel at all during this time period. Five units have only been inventoried twice, and three units only three times.

The Central Canteen is inventoried quarterly by its own personnel. Twice a year the prison auditor observes the physical inventory. Purchases and sales of merchandise in the Central Canteen are not cut off

simultaneously with the physical inventory of the stock in order to estimate the inventory balance. Therefore, a comparison cannot be made between the actual inventory and the book inventory.

Internal control weaknesses in this area include the following:

1. Written procedures for handling overages and shortages in the inmate canteens do not exist. The problem is handled on a case-by-case basis at the discretion of the Assistant Comptroller's office. The units have received inconsistent treatment in the past. (Overages in two units were confiscated by the business office.)
2. The inmate canteens, for the most part, are inventoried infrequently. The infrequent inventories decrease the control over the canteens through the maintenance of the imprest balances.
3. The physical inventory of merchandise cannot be compared with the book inventory in order to locate any shortages or other discrepancies.

Band Cash Fund

The Prison Band consists of approximately fourteen inmates and is directed by the Recreation Director. Band members are selected by the Recreation/Band Director after they have performed in an audition. The selection is based primarily on talent and potential. If a band member cannot make a performance date, the Recreation/Band Director contracts with ex-band members who have been released from Parchman to perform with the band. The band travels in a state-owned van and pickup and performs for various civic/nonprofit groups outside the Penitentiary in return for a fee determined by the Recreation/Band Director. On the average, the band appears at two to three performances every week during the summer months. The band does not appear to have an established fee schedule for its performances. For example, during FY 1981, the band performed in Greenville, Mississippi on three different occasions. The

fees for each of these performances were \$300, \$350, and \$520. Organizations wishing to sponsor the band are not required to sign a contract. They are required to send a letter to the Recreation/Band Director confirming the date, price, and any special arrangements such as a meal, refreshments, etc. These letters are maintained in a correspondence file in the recreation office. The file was examined by PEER auditors on April 16, 1981 and found to be incomplete and nonsupportive of band activities.

The Recreation Director maintains a cash fund for band trips. He feels it is necessary because of the required expenditures, such as meals for inmates, trailer rental, gasoline, and supplies. The fund consists of the Recreation Director's personal money.

Money is collected for softball fees, band engagements, and record and tape sales. The receipts consist of both cash and checks and are remitted to the business office where a receipt is written by the General Fund or Canteen Accountant. Cash tickets are turned in to the business office for reimbursement of band- and rodeo-related expenses.

The "books" kept by the band office are no more than a listing of the cash receipts and expenses. Copies of receipts and reimbursement requests are kept in a file folder. The file was incomplete and in no particular order. PEER auditors examined the records and attempted to reconcile with the business office records. This was next to impossible, mainly because the band records, such as they were, are kept by calendar year and the business office by fiscal year. The business office did not keep copies of the receipts issued to the band office so PEER auditors were unable to reconcile the records. The business office does not keep a perpetual record of the sales of records and tapes.

The records were in such bad condition that all band-related transactions could not be verified, which leaves this area open for abuse. Few, if any, controls exist in the receipt and expenditure of band-related funds; therefore, an audit of the records could not be completed.

Internal control weaknesses include the following:

1. An unauthorized cash fund exists without proper control by the business office.
2. Prenumbered receipts are not used in the transfer of cash. Therefore, receipt of all monies collected is not verified.
3. The business office does not maintain a perpetual inventory record of album and tape sales.

RELATED AREAS OF ACCOUNTING

Sales Taxes

The Central Canteen collects a 5 percent sales tax on sales of merchandise to "free world" customers and to the inmate canteens. The sales tax is remitted monthly to the State Tax Commission within the allowed time period, with only one exception (January 1981).

Sales to the departments within the Department of Corrections are exempt from sales tax. Therefore, these sales are deducted in computing the taxable gross income on which the 5 percent tax is levied.

The Canteen Fund may also deduct the 5 percent sales tax which it pays to various wholesale companies (Nehi Bottling, Coca-Cola Bottling, Denton Dairy, and Wigley and Culp). This payment appears as a tax credit on the sales tax return.

In examining the sales tax paid to the wholesale companies, it was found that the Canteen Fund was not taking a credit for the sales tax paid to Denton Dairy. This oversight has now been corrected.

PEER staff recalculated the sales tax payable for July through February (FY 1981). Seven of the eight months were incorrect, ranging from an underpayment of \$63.63 to an overpayment of \$26.31. After finding errors in the FY 1981 sales tax payable, PEER staff recalculated the sales tax for each month in FY 1980. Four of the twelve months were incorrect, ranging from an underpayment of \$90.81 to an overpayment of \$40.11. Exhibits 3 and 4 on page 29 summarize the underpayments and overpayments in both fiscal years. The Canteen Accountant is in the process of correcting these errors.

EXHIBIT 3

SUMMARY OF FY 1981 SALES TAX PAYABLE

Month	Sales Tax Payable per Audit	Sales Tax Payable per Records	(Overpayment) or Underpayment
July 1980	\$1,393.84	\$1,394.53	\$( .69)
August 1980	1,411.64	1,422.36	(10.72)
September 1980	1,369.38	1,356.58	12.80
October 1980	1,722.59	1,724.18	( 1.59)
November 1980	1,379.66	1,316.03	63.63
December 1980	1,851.96	1,851.96	--
January 1981*	1,671.77	1,698.08	(26.31)
February 1981	1,345.79	1,340.58	5.21
CUMULATIVE UNDERPAYMENT			<u>\$ 42.33</u>

SOURCE: Canteen Fund ledgers and journals.

\*A \$151.98 penalty was assessed by the State Tax Commission for late payment.

EXHIBIT 4

SUMMARY OF FY 1980 SALES TAX PAYABLE

Month	Sales Tax Payable per Audit	Sales Tax Payable per Records	(Overpayment) or Underpayment
July 1979	\$1,626.89	\$1,626.89	\$ --
August 1979	1,561.51	1,561.51	--
September 1979	1,380.61	1,380.61	--
October 1979	1,734.62	1,734.62	--
November 1979	1,625.34	1,625.34	--
December 1979	1,375.29	1,375.29	--
January 1980	1,473.91	1,383.10	90.81
February 1980	1,383.10	1,383.10	--
March 1980	1,304.47	1,334.63	(30.16)
April 1980	1,408.40	1,448.51	(40.11)
May 1980	1,369.87	1,369.87	--
June 1980	1,314.97	1,254.09	60.88
CUMULATIVE UNDERPAYMENT			<u>\$ 81.42</u>

SOURCE: Canteen Fund ledgers and journals.

In the examination of the sales tax expense for the canteen operations, a substantial difference was found between the amount of sales

tax collected (as shown on the cash register tapes in the Central Canteen) and the amount of sales tax remitted to the State Tax Commission. From July 1980 through February 1981, sales tax collected from Central Canteen sales amounted to \$10,330.51 and sales tax remitted (without the 2 percent discount) amounted to \$15,017.02, a difference of \$4,686.51. The major portion of the difference is due to the fact that sales tax is not collected on cigarettes that are sold to the inmates. The Canteen Fund must remit the 5 percent sales tax on retail sales to the State Tax Commission; therefore, the difference in the amount of sales tax collected and the total tax expense must be paid from Canteen profits. This extra expense due to the handling of the sales tax on cigarettes decreases the profits in the Canteen Fund that could otherwise be used for the inmates' welfare.

Loans and Grants

Some inmates, upon their release, require funds for transportation, meals, rental deposits, and other items. Loans and grants for this purpose are made from the profits of the Canteen operations.

A request for funds originates from the Job Placement Center for Ex-Offenders. The Director of the Center, one chaplain, and the Assistant Comptroller must approve the request before payment is made. A subsidiary ledger is currently being maintained with a control account in the General Ledger.

The balance of the Loans and Grants account as of February 28, 1981 was \$2,984.45. These loans to inmates should be termed "grants" based on past history. Until July 1980, these "loans" were charged to the Welfare Expense account, and no subsidiary ledger was maintained. Ac-

ording to the FY 1980 report on the Department of Corrections by the State Department of Audit, "total grants amounted to \$4,848.49 and repayments amounted to \$825.00." In FY 1981, total new grants through February 28, 1981 amounted to \$3,359.45, and repayments amounted to \$375. Therefore, the total Loans and Grants balance outstanding as of February 28, 1981 is over \$7,000. If these loans are not repaid the profits to be used for the inmates' welfare will be greatly reduced.

An aging schedule of the Loans and Grants for FY 1981 was prepared. Loans outstanding for more than 180 days represent 48.2 percent of the total loans outstanding. Exhibit 5 below presents further details of the outstanding loans.

EXHIBIT 5  
FY 1981 LOANS AND GRANTS - AGING

<u>Number of Days Outstanding</u>	<u>Amount Outstanding</u>	<u>Percentage of Total</u>
30	\$ 190.00	6.4%
60	100.00	3.4
90	90.00	3.0
120	143.00	4.8
150	925.00	31.0
180	96.45	3.2
Over 180	<u>1,440.00</u>	<u>48.2</u>
TOTAL	<u>\$2,984.45</u>	<u>100.0%</u>

SOURCE: Loans and Grants Subsidiary Ledger.

Bad Checks

Checks received by the Central Canteen (only from employees) are sent to the business office on a daily basis with the currency. The Central Canteen has unwritten procedures to follow in the collection of bad checks.

1. The Canteen Manager attempts to call people who have written bad checks.
2. If the calls do not result in a collection, the Assistant Comptroller writes the maker a letter requesting that the matter be resolved.
3. If a person continually writes bad checks, the Central Canteen refuses to accept their checks.

Beginning April 1, 1981, the business office will compile a list of everyone who gives the Central Canteen a bad check which will be posted on public display in the Central Canteen.

The business office does not exert strong control over the bad checks. The Canteen Accountant has attempted to maintain a "bad check" ledger for checks returned by the bank. The ledger contained insufficient entries to verify which checks had eventually cleared the bank. The bad checks are numerous; therefore, the policies should be strictly enforced. Accepting checks at the Central Canteen for the amount of purchase only may aid in decreasing the number of bad checks.

Examination of the bad checks on hand as of March 26, 1981, showed \$540 in returned checks. Included in these bad checks were eight checks totaling \$124 written by one employee and six checks totaling \$230 written by another employee. These checks were for even amounts so it appeared that they were written for cash, not for a purchase of merchandise. Unless the bad check policy is strictly enforced, employees will continue to receive "short-term loans" with no interest or penalty, other than that assessed by the banks. Mississippi Code section 97-19-55 et seq., provides for the prosecution of individuals who continually write bad checks. Any individual who writes a check "with fraudulent intent" may be subject to a fine and/or imprisonment. Consideration

should be given to the prosecution and/or dismissal of employees who continually write bad checks.

#### Surety Bonds

The Department of Corrections (DOC) carries a \$10,000 blanket bond on each employee. The Department also carries an additional \$40,000 bond on the Comptroller and the Assistant Comptroller, whose duties include the responsibility for the Canteen operations. No Canteen funds are involved as the bond premium is paid through the DOC appropriation. The statutes require a \$50,000 bond on the "fiscal comptroller," but make no mention of other positions. The bonding coverage appears adequate.

#### Insurance

DOC carries two insurance policies on the contents of the Central Canteen, \$25,000 with United States Fidelity and Guaranty and \$12,500 with New Hampshire. Both policies, with annual premiums of \$1,257 and \$577 respectively, contain provisions for fire and extended coverage on the contents of the Central Canteen.

The coverage appears to be adequate as the December 31, 1980 physical inventory of the Central Canteen was valued at approximately \$37,000 retail and \$31,000 wholesale.

No insurance is carried on the inventories located in the inmate canteens. If a loss occurs, the merchandise would be replaced from the Central Canteen, and the inmate canteen imprest balance would be adjusted.

### Payroll

The Canteen Fund payroll consists of four positions, the Canteen Manager and three Clerk I positions. One of the clerk positions presently is vacant. At the end of each month, the Payroll Department advises the business office of the gross salaries of the Canteen employees. (The Department of Corrections pays the related fringe benefits.) A Canteen Fund check is then issued to the Mississippi State Penitentiary and deposited in the Penitentiary's state account. The Canteen employees receive a regular state payroll check. Review of the payroll process revealed no discrepancies.

### Analysis of Other Revenue and Expense Accounts

In addition to revenue produced from the Central Canteen, the Canteen Fund receives income from two other major sources, the annual prison rodeo and band concerts. Also, in addition to expenses generated by the Central Canteen, the Canteen Fund incurs expenses from four major sources, the rodeo, band activities, recreation, and inmate welfare.

#### Prison Rodeo

The inmates, in conjunction with a professional rodeo promoter, perform in a prison rodeo each Sunday in September. The rodeo activities are open to "free world" visitors and serve as a public relations promotion as well as a recreation activity for the Penitentiary. Income from the rodeo performances primarily is generated from the sale of program advertisements and ticket sales. The 1980 prison rodeo generated an income of \$24,434. However, the associated rodeo expenses amounted to \$29,537, which resulted in a loss for the rodeo of \$5,103.

Most of the rodeo expenses were for the rodeo promoter, publicity/advertising, and concession supplies.

The Canteen Fund records contained several internal control weaknesses in the area of the rodeo. For example, several checks were handwritten and did not contain a check protector imprint to guard against fraud. Some of the checks written were not properly cosigned by another business office employee. Supporting documentation was vague and incomplete for some of the expenses.

#### Prison Band

The prison band is composed of approximately fourteen inmates and is directed by the Recreation Director. The band performs at various events such as county fairs, rallies, etc. As of the audit date of March 27, 1981, the band had generated an income of \$7,177 from these performances for FY 1981. The associated band expenses for the same time period amounted to \$2,205, which resulted in a profit of \$4,972. Most of the band expenses were for music-related supplies, trailer rental, and band outfits. The band also receives income from the sale of records and tapes recorded by the prison band. (Refer to the section on pages 25-27 for a detailed discussion of the band operation.)

#### Recreation

Recreation supplies and equipment are purchased from the Canteen Fund for all of the inmate units. There are no written guidelines or criteria for the allocation of this equipment to individual units due to the lack of an established recreation plan for the inmates. As of the audit date of March 27, 1981 a total of \$5,122 had been expended on recreation-related items. Most of the recreation expenses were for

trophies, games, arts/crafts supplies, weights, movie rentals, etc. The Recreation Department occasionally sponsors softball tournaments in which "free world" teams participate. Each "free world" team is required to pay an entry fee, usually amounting to \$50. These fees also are deposited in the Canteen Fund.

Welfare Expenses

The Welfare Expense account is designed to accommodate inmate-related expenses which are not accountable in the rodeo, band, or recreation accounts. As of the audit date of March 17, 1981, a total of \$1,226.46 had been expended on welfare expenses. However, \$1,013.32 of the expenses were for recreation-related items and should not have been classified as a welfare expense.

Equipment

As of July 1, 1980, all equipment purchases over \$50 have been capitalized in an equipment account. Prior to that time, only equipment directly associated with the Central Canteen and the inmate canteens was capitalized such as air conditioners, popcorn poppers, drink coolers, etc. Recreation equipment, band equipment, and other miscellaneous equipment were previously expensed.

Presently, the Assistant Comptroller's office keeps an inventory of capitalized equipment, but relies on the property officer to maintain records of all other equipment purchased before July 1, 1980. Because the business office has no record of previously expensed equipment in its inventory, there is no data available on which to base future equipment purchases. In addition, there is no replacement schedule for recreation equipment or list of needed equipment for each unit.

As of March 31, 1981, \$5,141.84 had been expended from the Canteen Fund on thirteen equipment items. Five of the items, totaling \$1,305.85, consisted of items for the rodeo concession stand, such as a candy apple kettle, popcorn popper, etc. Two air conditioners totaling \$1,015.99 were purchased for the Central Canteen. The fund also expended \$2,375 on five air conditioners for the conjugal visitation house at Unit 3. One set of weights amounting to \$445 also was purchased. There appears to be a disproportionate amount of equipment expenditures on items which do not directly benefit a substantial number of inmates. (See Exhibit 6 below for further details.)

EXHIBIT 6

FY 1981 CANTEEN FUND EQUIPMENT PURCHASES

<u>Item</u>	<u>Date of Purchase</u>	<u>Amount</u>
Sears Air Conditioner	July 2, 1980	\$ 599.99
Candy Apple Stove	August 27, 1980	299.50
Candy Apple Kettle	August 27, 1980	65.00
Candy Apple Pans and Thermometer	August 27, 1980	19.45
Hot Dog Machine	August 27, 1980	294.90
Popcorn Machine	August 27, 1980	627.00
Set of Weights with Bench	October 22, 1980	445.00
Sears Air Conditioner	October 27, 1980	416.00
Heating and Cooling Units	December 22, 1980	2,375.00*
TOTAL		<u>\$5,141.84**</u>

SOURCE: Canteen Accountant workpapers.

\*Purchased for a three-day visitation house at Unit 3.

\*\*As of March 31, 1981.

Inmate Welfare Fund Committee

The Inmate Welfare Fund Committee has been inactive for approximately the past one and one-half years. During this time, the Commit-

tee's approval authority over expenditures from the Canteen Fund was delegated to the Assistant Comptroller. Many times problems and areas of confusion, or miscommunication, concerning the Canteen operations have not been handled at all, or have been handled inconsistently due to the absence of written policies and procedures.

The Committee has not been actively involved in recent months in the Canteen operations so that the highest profits can be attained for use in the improvement of the inmates' welfare. The Inmate Welfare Fund Committee has recently reorganized (April 1981) and has plans to closely monitor the Canteen operations.

#### Reports

Fiscal reports on the Canteen Fund are currently prepared quarterly and annually by the Canteen Accountant and appear to be adequate to provide the Inmate Welfare Fund Committee, the Prison Comptroller, and the Commissioner the data needed for evaluation of the activities comprising the Fund. However, the reports are apparently not being used for that purpose. Analysis of these reports could be a valuable aid to management in determining which activities are profitable or not and why, and in evaluating the effects of any changes instituted. Each of the activities comprising the Canteen Fund (i.e., band, rodeo, and Central Canteen operations) should be examined separately and regularly for ways to increase profits. The Central Canteen in particular should be closely monitored to insure that it is being operated according to sound business principles and that profits are reasonable. The percentage of mark-up should be adjusted (up or down) promptly, if warranted.

#### ALTERNATIVES TO THE PRESENT CANTEEN SYSTEM

One of the weaknesses of the inmate canteen system now in use at Parchman is that the Central Canteen has limited control over prices and, therefore, profits in inmate canteens. As a result, profits that should go through the Central Canteen to the Canteen Fund are in some cases never leaving the units. Ways to improve this situation have been presented in recommendations elsewhere in this report. In addition, the following alternatives could be considered:

1. Close all inmate canteens and sell canteen items from trucks operated by Central Canteen employees on regularly scheduled stops to the units.
2. Close all inmate canteens and sell canteen items from trucks owned and operated by a private firm under contract on regularly scheduled stops to the units.
3. Retain inmate canteens and replace inmate operators by either Central Canteen employees or contractors.
4. Implement a script system.
5. Strictly enforce rigid price controls and sales of unauthorized articles.

All of the above would improve control to some degree, but all also have disadvantages. These should be thoroughly investigated before deciding on any of these alternatives.

#### Script

Script, in the form of metal coins called brozines, was used as a medium of exchange in lieu of U. S. currency at Parchman in the late sixties. Despite several efforts to obtain information on that venture,

very little could be found on why it was implemented, how it worked, or why it was discontinued. The few individuals who had been associated with it, who could be identified and located and who remembered it, believe that the system had been instituted to curb gambling, that it had been an inconvenience administratively and physically (because of the weight of the coins), and had not helped much to curb gambling. The system apparently lasted approximately two years. No written records related to the script system could be located. Some of the brozines are still stored in the vault at Parchman.

Most of the states which responded to the PEER questionnaire indicated the use of some sort of script system, varying from plastic coins to coupon books. All cited problems such as counterfeiting and high costs, but only one state (South Carolina) plans to discontinue using script. More positive control of the amount of money in the prison and of the way money may be used are the most often stated reasons for retaining a script system.

The advisability of implementing a script system at Parchman could not be determined from the sparse information available. A comprehensive study of the benefits versus disadvantages and costs of the various script systems would be required before a decision could be made. However, the data gathered from the questionnaire, telephone conversations with prison officials in other states, and analysis of the Parchman Canteen operation tend to support stronger internal controls rather than a script system.

#### RESPONSES TO SURVEY OF OTHER STATES

A questionnaire was sent to eleven southern states to solicit information concerning the canteen operations in their respective correctional facilities. The questionnaire consisted of questions concerning the general operation of the canteen system, the medium of exchange used in the inmate canteens, and the types of audits performed on the inmate canteens. Also, a request was made for all relevant statutes and regulations. Finally, each state was asked to check the categories of items carried in its canteen from PEER's list of items allowed in the canteens at the Mississippi State Penitentiary.

Questionnaires were sent to correctional facilities in the following states: Texas, Louisiana, Arkansas, Tennessee, Kentucky, Virginia, North Carolina, South Carolina, Georgia, Alabama, and Florida. Arkansas has three distinct correctional facilities, each of which received a questionnaire. Twelve of the thirteen questionnaires have been returned for a response rate of 92.3 percent. Only Kentucky has not responded.

#### Canteen Operation

All the canteens are state-owned and operated by state employees or inmates, or a combination of both. Profits derived from canteen sales are deposited into an inmate welfare fund. The profits are used to pay employee salaries, to purchase canteen equipment, and to purchase recreation equipment, movies, and other items for the inmate's benefit. The only exception is Tennessee where a nonprofit arrangement is maintained.

The markup percentage on canteen items varied from no markup in Tennessee to 25 percent in Arkansas and Georgia. However, 10 percent markup was the norm.

The number of paid staff varied based on the inmate population that the particular canteen served. The number of inmates utilized also varied accordingly. Inmates' duties at the canteen ranged from stock work and janitorial duties to all phases of the operation. Generally, inmates performed such tasks as stocking shelves, cleaning the canteen, pulling orders, etc. Georgia, however, did not use inmates in any phase of its operation. Inmates handled the money/script in four states: Arkansas, Florida, North Carolina, and South Carolina.

#### Medium of Exchange

##### Script System

Some type of script system is used in all states except Alabama and North Carolina. A combination of script and U. S. currency is used in Tennessee, Florida, and South Carolina. In Arkansas, two institutions used script, and one used a ledger card system. The system is administered by the canteen management or the accounting division of the correctional institution. The most popular type of script is the coupon booklet. However, a cardboard punchcard, plastic coin, and nickel/rhodium coin are also used. All script is produced by an outside source.

The script system has been utilized for several decades in some states and only a few years in others. Rotation of script, to deter its misuse, is done monthly in Virginia. However, most states rotated the script infrequently and in several cases never.

Every state experienced problems in the use of a script system. The script had been counterfeited in some states and was also used for gambling. The cost to manufacture script and the related expenses to administer the script system are of some concern. Script had been misprinted on occasion, and shortages have also occurred. Lost and stolen script presents problems because the inmates want replacements.

The script system utilized in the majority of southern states receiving a questionnaire provides a certain amount of control over the amount of purchasing power an inmate can have within the institution. It also makes the purchase of any "free world" goods more difficult. However, the problems that result from such a system, in some instances, can outweigh any benefits. These include counterfeiting of the script, operating and implementation costs, and the administration of the system. South Carolina, in fact, has begun phasing out the script system because of such problems. Any move to implement a script system in a canteen operation should first be carefully studied to be sure benefits will outweigh all the problems inherent in its use.

##### Checks and Credit

Only one state, Texas, allowed personal checks to be used for the purchase of canteen items. In this case, only employees could use checks. In no other states were personal checks allowed.

#### Prison Audits and Inventories

On the average, a physical inventory of inmate canteens is taken every month. Two states take a physical inventory twice a month while another state inventories only quarterly.

Financial audits are conducted at various intervals from a month to three to four years. Most states, however, conduct a financial audit on an annual basis. All financial audits are performed by state auditors or jointly by state and internal auditors.

Managerial audits also are performed at various intervals. Most are conducted annually by either state or internal auditors. All states use a manual set of books, except Alabama which uses the computer along with the manual records.

#### Summary of Relevant Statutes and Regulations

Three states - Florida, Georgia, and South Carolina - provided copies of the statutes and regulations governing their canteen operations. A summary of each follows.

##### South Carolina

The canteen warehouse supplies institutional canteens with approved items not supplied to the inmate by the state. The warehouse is run by civilians, assisted by inmates. Prices, marked up no more than 10 percent, are stamped on items before delivery, or a price list for items is posted. A quarterly inventory is conducted of the warehouse. In addition an annual audit is conducted by the Division of Internal Affairs and Inspections.

The size of the institutional canteen is based on need and the number of inmates, with the larger canteens run by civilians and others by inmates. The Institutional Head approves the hours of operation and items that are sold. Money is kept in a lock box in a safe after hours. Deposits are required three times a week. Charge sales are prohibited.

Daily canteen reports are completed by the larger canteens and a weekly report completed by the smaller canteens. These reports are to provide data to evaluate sales, inventory level, and shortages. In the case of larger canteens, shortages, which are based on variations from an established imprest amount, are the responsibility of the civilian operator. Inmate operators are responsible for shortages in inmate-run canteens.

##### Georgia

Inmate canteens are established for the sole benefit of inmates with all profits used for that purpose. The canteen is operated by a business manager. Inmates work at the canteen but do not have any responsibility nor are they compensated in any way. Coupons are the only medium of exchange. There is no form of credit, and personal checks are not accepted by the canteen.

The warden/superintendent is the sole person ultimately responsible for the store account and any shortages which may occur. Prices are standardized and posted in a conspicuous place. The unit cost reflects a 25 percent markup. Store hours are established by the business manager. All purchases are handled by the business office.

A monthly report is made detailing all expenditures made by the store. In addition there is a monthly physical inventory. A quarterly report is prepared detailing any shortages/overages. Audits are conducted when fraud is suspected or when any change of personnel occurs.

##### Florida

Inmate canteens are established to provide items of convenience at the lowest practical price. Proceeds provide gratuities, supplies, and

recreation equipment for the inmate population. An Inmate Welfare Fund Committee governs the canteen operation including the setting of prices. The items purchased with the proceeds from the canteen operation are to provide for the greatest need for the greatest number of inmates. In addition, items provided from state appropriations will not be provided from the Inmate Welfare Fund. An annual operating budget is required. All statements and Committee minutes are made available to the inmate population. Also, all rules and regulations governing the canteen are explained to new inmates.

The day-to-day operations of the inmate canteen are the responsibility of the business manager. Inmates used as operators can receive a salary of up to \$75 per month.

Receipts are required when inmates exchange cash or coupons. At day's end, a sales record is completed from the sales receipts. A perpetual inventory is maintained with a physical inventory taken monthly or when a shortage is suspected. These inventories are reconciled against the imprest fund for that canteen. In addition to snacks, cigarettes, and other authorized personal items, hobby crafts are stocked at the canteen. However, approval must be obtained, and all craft items must contribute to the meaningful use of an inmate's leisure time and/or enhance skill development.

## RECOMMENDATIONS

### Central Canteen

1. A canteen price list should be furnished twice a month to each unit administrator and inmate canteen operator. The price list should be posted in full view of the inmate population and should be followed exclusively unless otherwise authorized by the Central Canteen Manager or the Assistant Comptroller. When compiling the price list, the Central Canteen Manager should take into account interim price increases.
2. The stock in the Central Canteen should be analyzed periodically to control overstocking of slow-moving items and to remove obsolete and damaged merchandise.
3. Cash shortages and overages in the daily sales at the Central Canteen should be analyzed. The Assistant Comptroller's office should constantly monitor the cash register close-out and immediately follow up on material shortages and overages.

### Inmate Canteens

1. The inmate canteens should be operated on a strict imprest system. The cash count plus the merchandise on hand should equal the canteen imprest balance in the books at any given time. Overages and shortages should be defined, and the methods for handling them in the inmate canteens should be prepared. The imprest balances in the inmate canteens should be temporarily increased for Visiting Sunday if requested by the unit administrator and not permanently

increased solely because of this need. Continued overages or shortages should be investigated and appropriate action taken.

2. Inmate canteen cash should be locked at all times.
3. Inmate canteen operators should be required to sign the order form to indicate receipt of the delivery.
4. Inmate canteens should be inventoried monthly on unannounced dates by Central Canteen staff.
5. Responsibility for the security and operation of the inmate canteen should rest with the unit administrator.
6. All inmate canteens should be inspected on a regular basis by the Central Canteen staff for unsanitary conditions and violations of health regulations.

#### Inmate Welfare Fund Committee

The Inmate Welfare Fund Committee should be reorganized and rejuvenated with written policies and procedures to govern the operation of the canteen system. Topics that should be addressed include the following:

1. The function of the Committee
2. The composition of its membership (should include representatives from the business office, the recreation office, the treatment center, unit administrators, the Central Canteen, and the inmate population)
3. The use of the profits (Central Canteen, rodeo, band, records, and other)
4. Regularly scheduled time for meeting and location
5. Policy statement on the inmate band (should include setting of fees for engagements, selection of band members, the proper balance between internal and external activities, scheduling of engagements, collection of fees, and record sales)

6. Definition of the handling of overages and shortages in the inmate canteens and in the Central Canteen
7. The practice of making loans to former inmates (upon their release) from Canteen Fund profits (an analysis of the outstanding loans revealed that the majority of these loans are actually grants; therefore, the profits to be used for the inmates' welfare are greatly reduced)
8. The approval of non-routine expenditures from the Canteen Fund

#### Internal Control

Internal control in the accounting area of the canteen operations may be improved with the implementation of the following practices and procedures:

1. The Canteen Accountant should not be a signatory on the Canteen Fund checking account. The functions of recordkeeping and cash disbursement should be segregated.
2. The check protector should be used on all disbursements to prevent the altering of any amount.
3. Cash receipts should be deposited intact on a daily basis.
4. Prenumbered receipts should be issued in the transfer of all cash for proper control.
5. The Daily Summary Sheet of the day's cash sales should be completed at the end of each day after the register has been closed out.
6. Checks received in the Central Canteen should be identified by maker and amount on the deposit slip.
7. The responsibility for the reconciliation of the bank statement with the entries in the General Ledger should rest with someone other than the Canteen Fund Accountant, such as the Administrative Secretary who has no relation to the Canteen Fund records.
8. The Canteen Fund Accountant should record all credit charges at the Central Canteen immediately in an accounts receivable subsidiary ledger, which lists each customer account separately. A copy of the purchase order should be sent to the business office. All payments on account should be posted by the Accountant.

9. Any adjustments to accounts payable, such as credit memorandums, should be posted to the individual vendor accounts in the subsidiary ledger. This would provide a record of any shortages, returned merchandise, or damaged merchandise.
10. Properly approved purchase orders should accompany all expenditures other than routine purchases of merchandise for resale through the Central Canteen.
11. All purchases, including merchandise for resale, should carry an appropriate signature to indicate that the merchandise has been received.
12. Central Canteen personnel should inventory the inmate canteens more frequently (at least monthly) and always on a surprise basis.
13. Purchases and sales for the Central Canteen should be cut off simultaneously with the physical inventory of merchandise in order to compare the actual inventory with the book inventory. Any discrepancies should be analyzed and appropriate action taken. This should be one of the steps in analyzing the financial statements.
14. The Central Canteen should strictly enforce its "bad check" policy, making no exceptions. Consideration should be given to the prosecution and/or dismissal of repeat offenders.

#### General Accounting

1. The Canteen Fund Accountant position should be changed to full-time due to the duties and responsibilities associated with the Canteen operations.
2. The various expense accounts, such as Welfare Expense and Recreation Expense, should be analyzed to determine the appropriate expenditures each should contain.
3. Management should devote more effort to analyzing the quarterly and annual fiscal reports on the Canteen Fund which are currently being prepared to identify and correct problem areas and insure that sound business practices are employed.

4. According to state law, inmates confined to the State Penitentiary are not exempt from paying sales taxes on goods. Presently, there is a great deal of confusion and resentment among the inmate population because of this requirement. In order to lessen the confusion, the sales tax for each item should be included in the retail price which is listed on the Central Canteen price list. A notation also should be made at the bottom of the price list advising the inmates that the sales tax is included in the retail price. It would also be advisable for the Assistant Comptroller's office to prepare a written article for inclusion in the Inside World explaining the sales tax requirement.

#### Band Operations

1. The existence of an unauthorized Band Cash Fund which is currently maintained by the Band Director from his personal money should be carefully analyzed.
2. The business office should set up a Petty Cash account on the Canteen Fund books or establish a system of cash advances to control the expenditure of all band-related funds. Expenditures should be supported by appropriate documentation. A fee schedule for the band engagements should be set by the Inmate Welfare Committee with the aid of the Band Director. The Committee also should determine the criteria for the band providing benefit performances. All fees for band engagements and softball games, as much as is practical, should be sent directly to the business office. A file of band engagement contracts and/or letters should be maintained by the business office and verified monthly with the Band Director. Pre-

numbered receipts should be issued by the business office to the Band Director for any collections of fees during the trips by the band.

3. A current inventory of all records and tapes should be maintained by the business office and periodically verified to exercise proper control over their sale.

#### Recreation Operations

1. The Recreation Director should be a separate position to enable him/her to devote the needed time and effort to the job duties and responsibilities. Presently, the Recreation Director serves as the Band Director; these are both full-time positions.
2. A detailed plan of operation for the recreation department should be devised and approved by the Inmate Welfare Fund Committee. The plan should include the short- and long-range goals of the program, the number and type of equipment purchased and maintained, and the criteria for determining the equipment allowed in each unit. Other areas for inclusion are the policies and procedures for maintaining an equipment inventory for each unit, the frequency of a complete physical inventory, and the replacement of damaged or lost equipment.
3. Procedures should also be developed to properly account for recreation equipment, both centrally and in each unit, and to designate equipment responsibility in each unit.

#### Craft Sales

1. The Board of Corrections should develop and institute a policy regarding inmate craft sales. Consideration should be given to es-

establishing a centralized area on the Penitentiary grounds for the display and sale of inmate crafts. Such an area could be located in the Central Canteen. An alternative could be a small retail shop either in Jackson or the Gulf Coast where there are larger markets.

#### Policies and Procedures Manual

A policy and procedures manual should be written by the Assistant Comptroller's office for the entire Canteen operation. The manual, in addition to the day-to-day functions, should include, but not be limited to the following:

1. Procedures for preparation of an annual operating budget
2. Procedures for handling overages and shortages in the imprest fund balance in the inmate canteens and in the daily sales in the Central Canteen
3. Guidelines for the rodeo including advertising, ticket sales, concessions, disposition of profits, etc.
4. Policy concerning checks and credit in the Central Canteen and in the inmate canteens
5. Procedures establishing individual responsibility for the security and operations of the inmate canteens
6. Procedures concerning the disposition of profits realized in the sale of coffee (by the cup), popcorn, and ice cream in the inmate canteens
7. Procedures for periodic inventories at the inmate canteens to be scheduled (a) monthly, (b) when shortages are suspected, and (c) when inmate operators change
8. Procedures addressing the proper accounting of recreation equipment and band operations
9. Standards for health inspections of the inmate canteens
10. An inmate operator rules and procedures memo (each operator should receive a memo)

# Mississippi Department of Corrections



PARCHMAN, MISSISSIPPI 38738  
745-0011

April 29, 1981

Mr. John Turcotte, Director  
PEER Committee  
1504 Woolfolk Building  
Jackson, MS 39201

Dear Mr. Turcotte:

A comprehensive review of the preliminary recommendations outlined during the Canteen Audit has been performed. Generally, we are in agreement with the recommendations and have initiated several. Outlined below is our response to the audit findings:

## CENTRAL CANTEEN

Implementation of the recommendations has been accomplished.

- (1) Price lists will be posted twice each month in full view of the inmate population.
- (2) Stock will continuously be analyzed to make optimum utilization of available space.
- (3) Cash shortages and overages have and will continue to be analyzed. The Canteen hours have been adjusted to allow 15 minutes of uninterrupted time for close-out of the cash register.

## INMATE CANTEENS

After reviewing these recommendations we have taken some positive steps. A Policy and Procedures Manual shall be written which will address the operations of the Canteen.

- (1) The Inmate Canteens are currently being operated on a strict imprest system. Temporary increases in stock level will be granted where warranted. The policy manual will address the issue of handling shortages and overages and subsequent investigations.

Mr. John Turcotte  
Page 2  
April 29, 1981

- (2) The Vocational School will be contacted regarding construction of metal lock boxes to secure Canteen Funds.
- (3) Canteen operators will be signing order forms indicating receipt of the merchandise.
- (4) Existing Canteen staff does not permit monthly inventory of Camps; however, when staff is available, this procedure will be followed.
- (5) The Unit Administrator is responsible for his unit including the Canteen and this issue will be addressed in the policy manual.
- (6) A Department Health and Safety staff member will perform regular inspections.

## INMATE WELFARE COMMITTEE

The Inmate Welfare Committee has been reorganized and rejuvenated as of April 1, 1981. Most topics suggested were addressed during this meeting.

- (1) The function of the committee was addressed at the April meeting.
- (2) The composition of the committee is as suggested.
- (3) The use of the profits was discussed and will be discussed in greater detail in future meetings.
- (4) The regular scheduling meeting is the first Monday of each month, 10:00 A.M., in the Office of the Director of Treatment.
- (5) The policy statement regarding the inmate band will be addressed in future meetings.
- (6) The policy manual will address the handling of overages and shortages.
- (7) The May 6, 1981 meeting of the committee will consider this practice and whether or not to continue.
- (8) The committee has voted to reserve approval for non-routine expenditures exceeding \$50.00.

## INTERNAL CONTROL

Steps are currently being taken to improve the system of internal control within the Canteen operations.

- (1) The canteen accountant is being removed as an authorized signatory on the Canteen Fund checking account.
- (2) The canteen accountant has been instructed to use the check protector on all disbursements.
- (3) Cash receipts are currently being deposited 2 to 3 times weekly, especially on days of heavy camp sales. This practice allows only \$200 - \$300 not being deposited, but is secured in the vault. This is a workable and practical solution to deposit funds in a bank located 8 miles from Parchman.
- (4) A pre-numbered receipt book has been ordered and will be used in the transfer of cash.
- (5) The canteen accountant has been instructed to complete the Daily Summary Sheet at the end of each day. The lack of having a full-time position has created great difficulty in keeping the books current.
- (6) The canteen accountant has been instructed to compile a list of checks to accompany each deposit.
- (7) The special funds accountant will bear the responsibility for future canteen fund bank reconciliations.
- (8) The canteen fund accountant has been instructed to set up an accounts receivable subsidiary ledger and record all credit charges from the purchase order and post all payments on account.
- (9) The canteen fund accountant has been instructed to discontinue netting accounts payable accounts and to record the gross amount along with any shortages, returns or damaged merchandise.
- (10) Steps will be taken to insure that purchase orders are issued to accompany all expenditures other than routine purchases.
- (11) The canteen manager has been instructed to sign or initial all invoices indicating merchandise has been received.
- (12) We concur with your recommendations concerning frequent inventories; however, lack of personnel prevents implementation.
- (13) The canteen manager and canteen fund accountant have been instructed to insure an accurate cutoff of sales and purchases simultaneous with the taking of the physical inventory.

- (14) A memo has been issued addressing the "bad check" problem which will be enforced without exception.
- (15) Due to the remote location of Parchman from a banking facility, a hardship would exist on employees, if the ability to cash a check was not available; however, enforcement of the check cashing policy should alleviate any bad check problem.

#### GENERAL OPERATIONS

- (1) I agree that the canteen fund accountant position needs to be a full time position and my staff is currently determining if a position is available which could rectify this situation.
- (2) The welfare expense account will be analyzed and specific expenditures will be identified as welfare related.

#### BAND

- (1) The Recreation Director has been instructed to discontinue the use of his personal money as a Band cash fund.
- (2) The Business Office will establish a cash advance system for each band engagement. The Inmate Welfare Committee will be determining the criteria for benefit performances and fee schedules for band and softball performances. The Recreation Director has been instructed to obtain an engagement letter for each performance and a copy will be retained in the Business Office. A pre-numbered receipt book has been ordered for proper recording of collections.
- (3) I concur with your recommendation concerning maintaining a perpetual inventory of tapes and records by the Business Office.

#### RECREATION

- (1) We concur with your recommendation that the Band Director should be a separate position from the Recreation Director. Such a position will be requested in our FY 1983 Budget Request due to the fact that an existing position is not available.
- (2) The Inmate Welfare Committee discussed the goals of the Recreation program and has asked the Recreation Director for an inventory of equipment by unit. The Committee is in the process of establishing equipment requirements for each unit and criteria for replacement.
- (3) Recreational equipment inventory will be maintained by the Property Office for each unit and the procedures will be implemented similarly to the State equipment procedures.

Mr. John Turcotte  
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April 29, 1981

SALES TAX

The Canteen has issued a new price list which reflects the retail price plus sales tax as recommended. The price list contained a notation advising the inmates that sales tax was included.

MANAGEMENT

We concur with your recommendation that financial statements will be issued to the Prison Auditor, Warden, and Commissioner's Office for review along with the Inmate Welfare Committee.

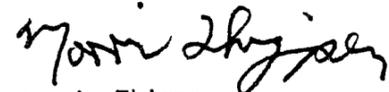
POLICIES AND PROCEDURES MANUAL

The Assistant Comptroller's Office has been instructed to compile a manual for the Canteen operations. This manual, upon a draft being compiled, will be submitted for approval by the Department's policy and procedure reviewing committee and the Board.

The Department appreciates any assistance which we might receive from your staff and the recommendations which have been made will be extremely beneficial toward improving the overall canteen operations.

Sincerely,

MISSISSIPPI DEPARTMENT OF CORRECTIONS



Morris Thigpen  
Commissioner

MT/DB/gs

APPENDIX

UNIT ADMINISTRATOR FOR UNIT 20

During an interview with the unit administrator of Unit 20, the following problem was related. In November 1979, while the unit administrator was absent from the Unit, the inmate canteen at Unit 20 was inventoried by representatives from the Central Canteen. Cash and merchandise in the amount of \$336 (as told to the unit administrator by the Central Canteen) or \$631.50 (according to the unit administrator) were removed from the canteen. Some of that removed allegedly belonged to the unit administrator who loaned it to the canteen to allow building up the stock for Visiting Sunday. One of the guards on duty at Unit 20 notified the unit administrator at home; whereupon he instructed the guard to get the key from the inmate operator, inventory the canteen, and keep the key until the unit administrator arrived the next morning. The resulting inventory totaled \$353.50, which was confirmed by the unit administrator the next morning. In efforts to get his money back, the unit administrator talked to the Associate Warden, the Central Canteen Manager, the Assistant Comptroller, the Associate Warden for Operations, the Deputy Warden, the Warden, and the DOC Commissioner - all to no avail. The unit administrator said he had never received an explanation from anyone.

The matter was brought up during an audit interview with the Deputy Warden, who said that the Unit 20 administrator had been given an explanation, but it was not what he wanted to hear. The Deputy Warden

suggested contacting the Assistant Comptroller who had handled the investigation.

The Assistant Comptroller contends that he had discussed the matter with the unit administrator several times and explained his position. The Assistant Comptroller's position is that the canteen was over its imprest amount when inventoried; that unauthorized items were for sale in the canteen; that the imprest amount (\$600) for the canteen was adequate; that it would be difficult to prove how much of the overage belonged to the unit administrator; that the Central Canteen was justified and within its legal rights to confiscate the overage and unauthorized items; and that under the circumstances no money could be returned. The Assistant Comptroller did indicate that he does not consider the matter closed yet and plans to have a meeting of the individuals involved to try to work out an equitable solution to the problem.

The Canteen Manager's description of the events was somewhat different. According to her, the inventory in question was conducted on November 14 by one of the Central Canteen employees and two inmate helpers. Results of the inventory indicated goods and cash totaling \$784.08 (\$184 over imprest amount) and the presence of unauthorized items (i.e., items not obtained from the Central Canteen) in the canteen. This was reported to the Canteen Manager who in turn reported it to the Assistant Comptroller. He directed her to pull the overage and to confiscate the unauthorized items. Thereupon, the Canteen Manager had her employee confiscate \$65.85 in cash, drinks worth \$76.80, other merchandise worth \$41.46 (for a total of \$184.11), and approximately \$40 worth of unauthorized items. This was witnessed by the Security Major, who was then in charge of Unit 20. The cash was turned in to the As-

sistant Comptroller. The other merchandise and drinks were combined with the Central Canteen stock temporarily and have now been returned to the Unit 20 canteen. The unauthorized items were kept separate and later (April 1981) returned intact to the Unit 20 canteen. The cash has not been returned.

**END**