

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**AUDIT REPORT
FOR THE NINE MONTHS ENDED
MARCH 31, 1995**

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

INTRODUCTION

REPORTING ENTITY

The Department of Corrections at March 31, 1995 was comprised of four divisions. The structure of the Department is discussed in the following section. For the purpose of this audit and audit report, the reporting entity is the trust and agency funds, excluding the Vocational Training Fund, of the Department of Corrections of the State of New Hampshire. The financial statements of the Department of Corrections - Administration and the Department of Corrections - Correctional Industries, including the Vocational Training Fund, are subjects of separate audits and reports for the nine months ended March 31, 1995. Copies of these reports can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, NH 03301.

BACKGROUND AND ORGANIZATION

The Department of Corrections was established on July 1, 1983 pursuant to RSA 21-H and began functioning as a single state agency. RSA 21-H merged the Departments of Probation and Parole and the New Hampshire State Prison, all three of which had previously operated autonomously. The Department of Corrections is charged with maintaining and administering correctional facilities and programs for the benefit and rehabilitation of inmates. In addition, the Department is responsible for the supervision of all individuals placed on probation or released on parole and acts as an advisor to law enforcement agencies and communities in the prevention of crime. The organizational structure as detailed by RSA 21-H is presented in a chart on page four.

The Department of Corrections is headed by a Commissioner who is appointed by the governor and serves as the Department's chief administrative officer. The Commissioner is responsible for the management of all Department operations, including the administration and enforcement of all laws by which he or the Department is governed.

The Office of the Commissioner is responsible for the overall administration and operation of the Department. The Office also oversees the four Divisions of Administration, Adult Services, Field Services, and Medical and Psychiatric Services. In addition, the Adult Parole Board, established by RSA 651-A, is administratively attached to the Office of the Commissioner.

INTRODUCTION (Continued)

DIVISION OF ADMINISTRATION

The Division of Administration provides personnel, contracts, grants, data processing, and fiscal management support to the Department. To effectively meet these responsibilities, the Division has established the Bureaus of Fiscal Management, Information Services, Personnel, and Offender Records.

Since inmates are not allowed to carry money, all inmate cash and checks must be turned over to the Department for deposit to their inmate account. Each inmate's finances are accounted for and managed by the Inmate Accounting section within the Division of Administration. Inmate Accounting also maintains three additional trust and agency funds, namely the Recreation, Canteen, and Television Funds. All of the trust and agency funds have been established for the benefit of the inmates at the New Hampshire State Prison, the New Hampshire State Prison for Women, the Lakes Region Facility and the Community Corrections Centers.

DIVISION OF ADULT SERVICES

RSA 21-H:4,III charges the Division of Adult Services with the responsibility for, "(a) The operation of the state prison and any other state adult detention facilities assigned to the department. (b) The operation of adult correctional community residential care facilities." The director of this Division also serves as the Warden of the New Hampshire State Prison. In addition to providing for the security of the prison, this Division also oversees the Lakes Region Facility, the Shock Incarceration Program, the Manchester and Concord Community Corrections Centers and the New Hampshire State Prison for Women.

DIVISION OF FIELD SERVICES

The Division of Field Services is responsible for the supervision of all probationers and parolees who have been ordered on supervision by the courts or the Parole Board. The Division has fourteen district offices which are responsible for supervising individuals within each district. In conjunction with the supervision function, the district offices are also responsible for collecting fines, restitution, and fees from offenders who are under the Division's jurisdiction. All money collected at the district offices is deposited daily into local bank accounts and then electronically transferred into a State Treasury account with the revenue posted to the General Fund probation holding account, also referred to as the Probation and Parole Fund. Each month amounts are paid out from the holding account either by checks or transfers to pay: restitution to the offenders' victims; fines, when paid in full, to the Administrative Office of the Courts; and collection, supervision, and attorneys' fees which are posted to the appropriate revenue source accounts in the New Hampshire Integrated Financial System.

INTRODUCTION (Continued)

DIVISION OF MEDICAL AND PSYCHIATRIC SERVICES

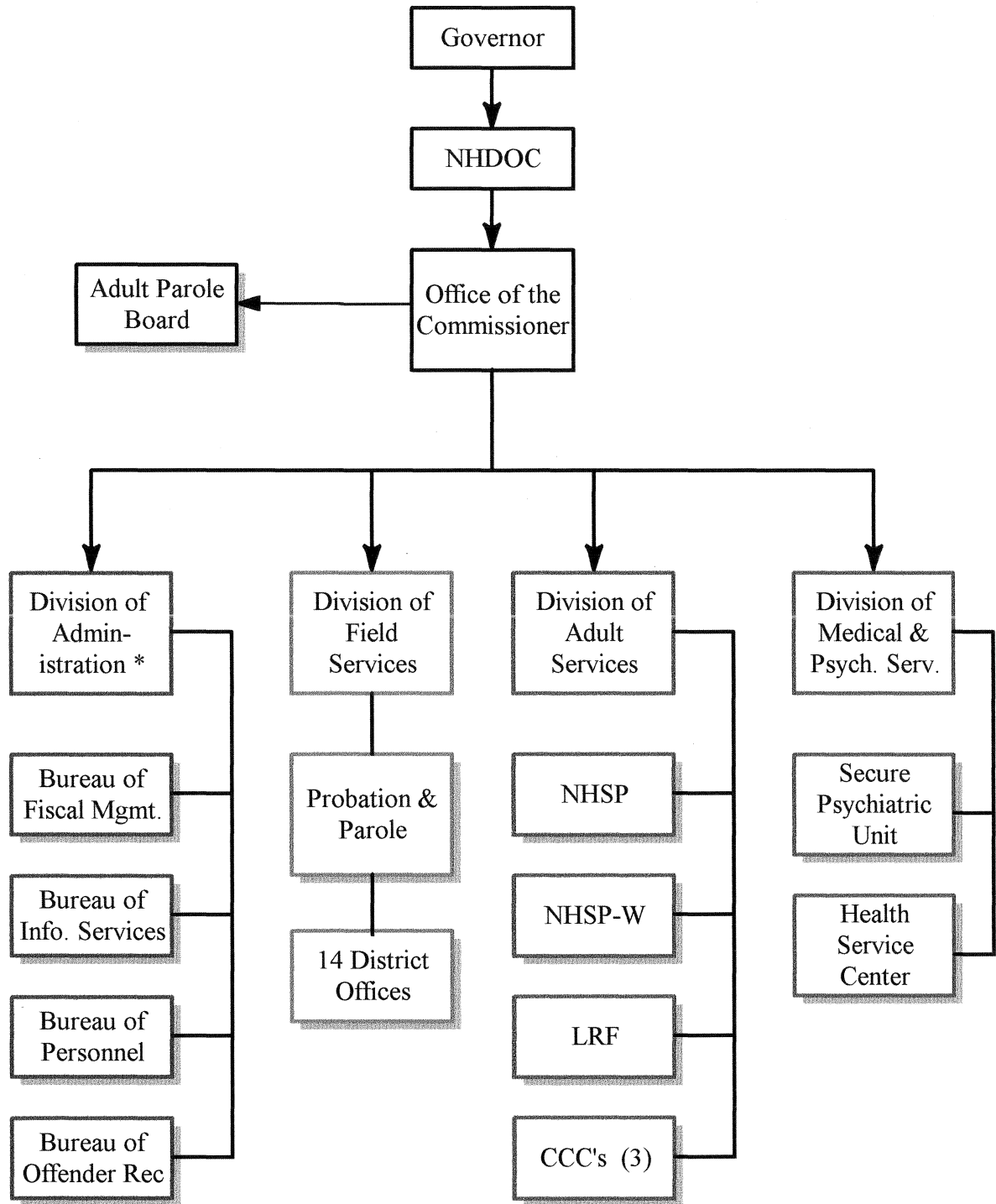
The Division of Medical and Psychiatric Services is responsible for the operation of the Secure Psychiatric Unit and the Health Services Center. The mental health section within the Division performs intake evaluations and offers such services and programs as Alcoholics Anonymous, Narcotics Anonymous, individual and group counseling, crisis intervention and management, and pre-release planning. The Division of Medical and Psychiatric Services is headed by a medical unit director who must also be a board certified psychiatrist. In addition to providing services to inmates, this Division also serves as an advisor to other agencies in the areas of mental health and psychiatric services.

ADULT PAROLE BOARD

RSA 651-A:3 established the Adult Parole Board, consisting of seven members appointed by the governor and serving staggered five year terms. In accordance with RSA 651-A:4, the Board is responsible for paroling prisoners from the New Hampshire State Prison, the New Hampshire State Prison for Women, and the Lakes Region Facility, and is the legal custodian of all parolees until they are discharged or recommitted. In addition, the Board is charged with adopting rules pertaining to the parole process, including parolee conduct and revocation procedures.

INTRODUCTION (Continued)

State of New Hampshire
 Department of Corrections
 Organizational Structure



* The Inmate Accounting Office is under the Division of Administration.

Legend:
 NHDOC - New Hampshire Department of Corrections
 NHSP - New Hampshire State Prison for Men
 NHSP-W - New Hampshire State Prison for Women
 LRF - Lakes Region Facility
 CCC - Community Corrections Centers

Source: RSA 21-H, RSA 651-A:24

INTRODUCTION (Continued)

TRUST AND AGENCY FUND DESCRIPTIONS

Agency Funds

- The **Inmate Fund** is funded primarily by inmate wages and money received from inmates' families and friends. These monies are eventually transferred to other trust or agency funds, or disbursed per request of the inmates to satisfy obligations or to provide financial support for their families. The Inmate Fund is a control account which consists of individual subsidiary records for each inmate incarcerated in the New Hampshire State Prison, the New Hampshire State Prison for Women and the Lakes Region Facility.
- The **Television Fund** is supported by monthly transfers from the Inmate Fund for the installment sale of television sets to inmates.
- The accounts at the three **Community Corrections Centers** (Shea Farm, Calumet, and North End House) are funded largely by wages earned by residents. These funds operate similar to the Inmate Fund in that they summarize and report the financial activities of those individuals living in the community correction centers.
- The **Probation/Parole Fund** accounts for assets held by the Department of Corrections as an agent for crime victims (restitution), the State of New Hampshire General Fund (collection, supervision, attorney, and annulment fees), and the Administrative Office of the Courts (fines). This Fund records all receipts and disbursements of court ordered amounts imposed on individuals under the direct supervision of the Division of Field Services, or who have been ordered by the courts to reimburse amounts owed through the Department of Corrections.

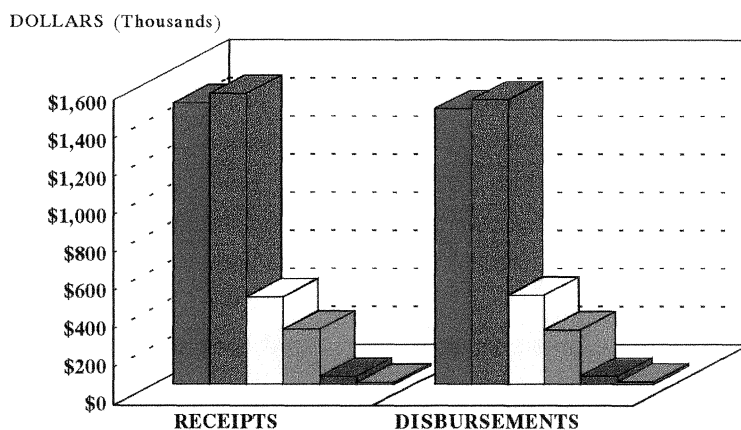
Expendable Trust Funds

- The **Canteen Fund** is funded with bi-weekly transfers from the Inmate Fund, which are recorded as sales when the inmates buy goods available at either of the two canteens located at the New Hampshire State Prison. Proceeds are used to purchase inventory items for future sale.
- The **Recreation Fund** is used to purchase recreational equipment and materials to be used for leisure-time activities and hobbycraft projects. These purchases are funded by telephone usage rebates, profits transferred from the Canteen Fund, and transfers from the Inmate Fund for items such as hobbycraft materials, pictures, and photocopies.

The graphs on the following page display the receipts and disbursements for the agency and expendable trust funds for the nine months ended March 31, 1995.

INTRODUCTION (Continued)

AGENCY FUNDS
NINE MONTHS ENDED MARCH 31, 1995

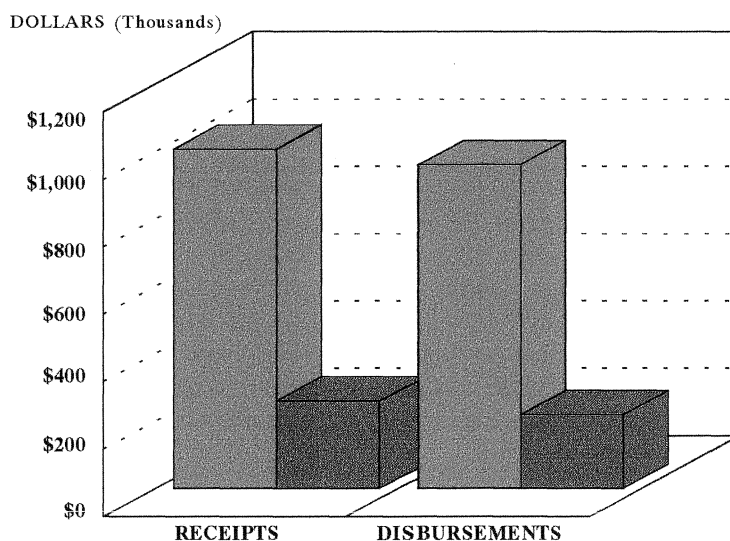


PROBATION/PAROLE		\$1,476	\$1,447
INMATE FUND		\$1,525	\$1,494
CALUMET CCC		\$458	\$467
SHEA FARM CCC		\$289	\$285
NORTH END CCC		\$41	\$42
TELEVISION FUND		\$10	\$12
TOTAL (THOUSANDS)		\$3,799	\$3,747

CCC - Community Correction Centers

EXPENDABLE TRUST FUNDS

NINE MONTHS ENDED MARCH 31, 1995



CANTEEN FUND		\$1,007	\$961
RECREATION FUND		\$259	\$218
TOTAL (THOUSANDS)		\$1,266	\$1,180

INTRODUCTION (Continued)

PRIOR AUDITS

The most recent prior audit of the trust and agency funds of the Department of Corrections was for the eighteen months ended December 31, 1991. The appendix to this report on page fifty-one contains a summary of the current status of the observations contained in that prior audit report.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

AUDIT OBJECTIVES AND SCOPE

The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statements. As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we considered the effectiveness of the internal control structure in place at the Department of Corrections and tested the Department's compliance with certain provisions of applicable state laws and regulations. Major accounts or areas subject to our examination included, but were not limited to the following:

- Internal Control Structure
- Cash and Cash Equivalents
- Receipts
- Disbursements
- Equipment
- Inventory
- Accounts Receivable and Payable
- Intrafund Transfers
- State Compliance.

Our reports on the internal control structure, state compliance, and management issues, the related observations and recommendations, our independent auditor's report, and the financial statements are contained in the report that follows.

AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the trust and agency funds, excluding the Vocational Training Fund, of the Department of Corrections, of the State of New Hampshire, as of and for the nine months ended March 31, 1995, and have issued our report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Department of Corrections is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the trust and agency funds of the Department of Corrections for the nine months ended March 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Those matters that we consider to be reportable conditions are described on the following pages.

INMATE ACCOUNTING REPORTABLE CONDITIONS

OBSERVATION NO. 1: PETTY CASH REIMBURSEMENT CHECKS MADE OUT TO THE DEPARTMENT OF CORRECTIONS

OBSERVATION:

- The Department of Corrections' petty cash fund was established to provide cash for gate money and to pay minor expenses of the Department. The Inmate Accounting Office is responsible for accounting for the petty cash fund. The total amount of the fund is \$3,200 and is broken down as follows: \$3,100 for gate money, \$50 for the hobbycraft retail store cash drawer and \$50 for miscellaneous expenses at the women's prison.

Checks drawn against State Treasury accounts to replenish the petty cash fund are made payable to the NH Department of Corrections. The checks are cashed at the bank by either a Department messenger or the Inmate Account Clerk Supervisor who identify themselves to the bank as employees of the Department.

Allowing the banks to regularly cash checks made payable to the Department is a violation of good internal control procedures. Checks made payable to the Department should never be allowed to be cashed and should only be processed for deposit.

RECOMMENDATIONS:

- The Department of Corrections should immediately notify the bank that checks payable to the Department should not be cashed.
- The Department of Corrections should work with the Department of Administrative Services and the State Treasurer to determine the most efficient and controlled way to replenish the petty cash fund.

AUDITEE RESPONSE:

- The bank has been notified to not cash checks made out to Department of Corrections.
- We have consulted with Administrative Services and revised our procedures for handling petty cash checks.

OBSERVATION NO. 2: MONTH-END ACCOUNTING OF TRANSFERS OF MONEY BETWEEN TRUST AND AGENCY FUNDS

OBSERVATION:

- The Inmate Accounting Office maintains separate bank accounts as depositories for the various trust and agency funds. Checks are used to transfer money between the various funds.

Currently, the Inmate Accounting Office processes many of these transfers at the end of each month. Because of the Department's extended control procedures over disbursements from the trust and agency funds, including reviews and signature approvals by individuals in the warden's office, at month-end there may be transfers that have been recorded as disbursed from one fund that have not been recorded as received by the second fund. (Reference Observation No. 16 for discussion of inefficiencies related to controls over disbursements.) The effect of this is that the month-end balance in the trust and agency funds may be understated by these transfers-in-transit. The reconciliations currently performed by the Inmate Accounting Office do not ensure that all monies are accounted for and properly reported at the end of each month.

Based on our review of the accounting records for each of the trust and agency funds, the following amounts were transfers-in-transit and were not reported in the March 31, 1995 internal accounting reports for the trust and agency funds. These amounts have been reflected in the financial statements beginning on page thirty-nine of this report.

Fund Understated	Understatement Amount
Canteen Fund	\$39,070
Recreation Fund	2,585
T.V. Fund	1,700
Total Understatement	\$43,355

RECOMMENDATIONS:

- The Inmate Accounting Office should consider either using one bank account to maintain its trust and agency funds or use electronic transfers to transfer monies between funds. Using checks to transfer money is inefficient, and as currently done, causes delays in the recording of the transfers and misstatements in the month-end balances.
- Regardless of the methods it uses to transfer monies between funds, the Inmate Accounting Office should make certain that all funds are properly accounted for and the month-end reported balances in the trust and agency funds are not understated by the effects of transfers-in-transit.

OBSERVATION NO. 2: MONTH-END ACCOUNTING OF TRANSFERS OF MONEY BETWEEN TRUST AND AGENCY FUNDS (Continued)

AUDITEE RESPONSE:

- Inmate Accounts was automated and went on line December 1, 1995. All accounts have been transferred to one single bank. Electronic Fund Transfers will be initiated so as to report fund balances in a timely manner.

OBSERVATION NO. 3: RECEIPT AND DEPOSIT PROCEDURES - RETAIL STORE

The Correctional Industries Retail Store, located at 312 North Main Street in Concord, is open to the public seven days a week and sells products made by inmates. The store is divided into two rooms. One room displays Correctional Industries produced items and the other room displays hobbycraft items made by individual inmates. Inmates work in the store which is adjacent to the Inmate Accounting Office.

OBSERVATIONS:

A. *Receipt Procedures*

Inmates work in the retail store and prepare the sales slips for merchandise sold, however they are not allowed to receive money. The customer must take the sales slip to the adjacent Inmate Accounting Office to make payment. The accounting personnel note the method of payment; cash, check and check number, or credit card on the prenumbered sales slip. One copy of the sales slip is given to the customer and one copy is placed in the lock box with the payment. At the end of the business day, the hobbycraft and Correctional Industries receipts are sorted and placed in separate envelopes in a safe and stored until the deposit is prepared. The deposits are generally made weekly, at which time a form A-15, initial listing of receipts, is filled out and checks are restrictively endorsed. There are few controls currently in place to ensure that all store receipts are deposited with the weekly deposit. Weaknesses in the current procedure include:

- While sales slips and A-15s are prenumbered documents, the document numbers are not accounted for by the Inmate Accounting Office.
- The A-15, initial listing of receipts, is filled out when the deposit is prepared and not when the money is received.
- Checks received for hobbycraft and Correctional Industries sales are not restrictively endorsed until the deposit is prepared.

OBSERVATION NO. 3: RECEIPT AND DEPOSIT PROCEDURES - RETAIL STORE
(Continued)

OBSERVATIONS (Continued):

B. *Deposit Procedures*

Separate deposits are made for Correctional Industries and inmate hobbycraft receipts. Good internal control procedures and RSA 6:11 require that accumulated receipts be deposited by state departments or institutions daily or when accumulated receipts exceed \$100.

- Neither the deposits of the receipts from the sale of Correctional Industries' products nor the deposits of the receipts from the sale of inmate hobbycraft items are made timely in accordance with good internal control procedures and RSA 6:11. The deposits of both Correctional Industries sales receipts and also inmate hobbycraft receipts generally average or exceed \$1,000 and are made weekly regardless of the accumulated amounts.
- There is a segregation of duties problem in the preparation of the Correctional Industries deposit as one individual is responsible for preparing the deposit and also recording the transaction.

RECOMMENDATIONS:

A. *Receipt Procedures*

Checks should be restrictively endorsed upon receipt and recorded on the A-15 form by sales slip number when received. Any breaks in the sales slip sequencing should be investigated by the Inmate Accounting Office to ensure that all receipts are included with the deposits. The Retail Store may want to consider the use of a cash register to initially record sales and to restrictively endorse the checks when received.

B. *Deposit Procedures*

Retail Store sales deposits should be made daily when combined Correctional Industries and hobbycraft receipts exceed \$100 in cash and checks. We recommend that the Inmate Accounting Office prepare both deposits and send a copy of the A-15 and the accompanying deposit slip along with any credit card slips related to Correctional Industries sales to Correctional Industries. This would allow the deposits for both accounts to be made daily, if needed, and would also ensure that the deposit for Correctional Industries is made by a person independent of the person who records the transaction.

OBSERVATION NO. 3: RECEIPT AND DEPOSIT PROCEDURES - RETAIL STORE
(Continued)

AUDITEE RESPONSE:

Deposit will be made in accordance with RSA and A-15's and check endorsements will be made as checks are received. Inmate Accounts will prepare the deposits for industries and hobbycraft.

OBSERVATION NO. 4: RECREATION FUND EQUIPMENT

OBSERVATION:

- During our testing of Recreation Fund equipment we observed that:
 - Four of 55 recreation equipment items tested did not have identification tags.
 - One of 41 equipment items that were tested for existence could not be located. There was no evidence that the item was surplus or destroyed. The reported \$1,797 cost of this test item if projected against the Recreation Fund equipment population estimates an error in the reported equipment balance of \$25,483.
 - The Department has historically not reported the Recreation Fund equipment inventory to the Department of Administrative Services for state financial reporting purposes. The equipment balance of \$378,086 also has not been reported on the internal Recreation Fund financial statements. Generally accepted accounting principles require that fixed assets of an expendable trust fund such as the Recreation Fund be accounted for in that fund.

The Recreation Fund equipment has been reported in the financial statements beginning on page thirty-nine of this report.

RECOMMENDATIONS:

- The Department should take steps to ensure that all Recreation Fund equipment items are properly tagged and identified.
- The Department should report the Recreation Fund equipment on its trust and agency funds financial statements and in its annual financial reporting to the Department of Administrative Services.

OBSERVATION NO. 4: RECREATION FUND EQUIPMENT (Continued)

AUDITEE RESPONSE:

- Personnel have been instructed as to proper inventory procedures.
- Fiscal Management is working with Bureau of Financial Reporting to develop a format to properly report recreation fund assets on its trust and agency financial statements and its annual report to the Department of Administrative Services.

OBSERVATION NO. 5: CHECKS BEING RETURNED TO PREPARER - INMATE ACCOUNTING OFFICE

OBSERVATION:

- The Inmate Accounting Office prepares and sends checks to the warden's office at the prison for approval and signature. The checks are signed by one of six authorized signors at the prison and returned to the preparers of the checks at the Inmate Accounting Office. This procedure is used for approving and signing checks for expenditures from the Inmate, Television, Recreation, and Canteen Funds.

Returning the signed checks to the individuals who originally prepared, requested, or recorded the expenditures is a violation of good internal control practices.

RECOMMENDATION:

- Individuals involved in the request, preparation, or recording of the expenditures should not have access to signed checks. The internal control structure over trust and agency fund disbursements could be strengthened by either mailing the signed checks directly from the prison mail room after their being signed or otherwise restricting the access of the individuals involved in the check request production and recording functions to the signed checks.

AUDITEE RESPONSE:

- Inmate Accounts has been automated and checks are prepared at the Inmate Account office and forwarded to the Bureau of Fiscal Management to be signed and mailed to the vendor.

OBSERVATION NO. 6: CONTROLS OVER VOIDED CHECKS

OBSERVATIONS:

- The Inmate Accounting Office does not file all voided checks in one location. Checks that are voided in the check production process are stapled to the check register and checks that are voided after issuance are filed separately.

Filing checks in more than one location makes it difficult to keep track of the numerical sequence of all checks, both voids and issued.

- Checks that are returned to the Inmate Accounting Office because they are undeliverable are filed in an unsecured file cabinet. Periodically the checks are voided and posted to a "voided check ledger". Upon our review of the voided check ledger we noted that returned checks were voided and posted to the ledger only once during the audit period. On February 22, 1995, \$2,385 in returned checks dated February 1994 through June 1994 were voided. As of the end of April 1995, \$4,621 in returned checks dated July 1994 through April 1995 were maintained in the file cabinet at the Inmate Accounting Office.

RECOMMENDATIONS:

- The Inmate Accounting Office should consider filing all voided checks with the paid cancelled checks in order to make the review of check documents easier and more effective.
- Checks returned because they were undeliverable, or for any other reason, should be immediately secured, and either voided or endorsed for deposit, and redeposited to the account from which it was originally drawn. Negotiable checks should not remain unsecured at the Inmate Accounting Office.

AUDITEE RESPONSE:

- All voided and cancelled checks will be filed together in numerical sequence in a locked cabinet. Checks returned as undeliverable or any other reason will either be redeposited immediately to the original account or voided and reported monthly to the bank on a voided check report that will be produced by the computer at Inmate Accounts.

OBSERVATION NO. 7: UNTIMELY PAYMENT OF VENDOR INVOICES

OBSERVATION:

- The invoices for Canteen inventory purchases are approved for payment and forwarded to Inmate Accounting at the end of each month by the Bureau of Fiscal Management. During our testing of Canteen Fund expenditures, we noted that many vendor invoices were being paid past due. Nine out of the 25 (36%) disbursements tested for the Canteen Fund were not paid timely - within the vendor's terms. Most of the Department's vendors have payment terms of 30 days with no cash discounts available.

Invoices that are not paid timely cause three areas of concern. Unpaid invoices may generate duplicate invoices from vendors and increase the potential for duplicate payments on those invoices. The expenditures may not get recorded in the proper accounting period distorting the total monthly account activity. Department relations with vendors may be damaged and lead to late payment fees.

RECOMMENDATION:

- The Department should implement procedures to ensure that all vendor invoices are paid within the terms of the invoice.

AUDITEE RESPONSE:

- To insure timely payment all parties concerned will be requested to process invoices within 3 days of receipt and the last week of the month invoices must be processed daily.

OBSERVATION NO. 8: INTERNAL CONTROL STRUCTURE IMPLEMENTED THROUGH POLICY AND PROCEDURE DIRECTIVES

The Department of Corrections issues and maintains various Policy and Procedure Directives (PPD) that define the internal control structure and set standards and rules for specific functions in the Department's operations. During our review of the various PPDs that pertain to the internal control structure of the trust and agency funds, we noted instances where the PPDs either conflicted with other Department policies or were not being consistently adhered to. This lack of compliance with internal control structure policies and procedures could adversely affect the Department's accounting procedures and records.

OBSERVATION NO. 8: INTERNAL CONTROL STRUCTURE IMPLEMENTED THROUGH POLICY AND PROCEDURE DIRECTIVES (Continued)

OBSERVATIONS:

A. *Inmate Accounting*

During our testing of Inmate Fund receipts and disbursements, we noted the following issues that result in weakened internal control procedures:

- Two out of a sample of six (33%) Payroll Exception Reports selected for testing were not signed by the individual inmate as required by PPD #1.3.1, Resident Pay System.
- Seven out of a sample of 30 (23%) inmate receipts tested were from individuals that were not on that inmate's list of authorized visitors. Per PPD #1.3.9, Management and Control of Personal Funds of Residents, inmate receipts from outside sources must be from authorized visitors.
- Two inmate deposit/withdrawal slips out of a sample of 25 (8%) tested were not signed by the inmates. Both of these payments were to publication companies. Per PPD #1.3.9, all inmate slips, except those for canteen withdrawals, disciplinary payments, and to close accounts should be signed by the inmate to authorize the disbursement from their account.

B. *Community Correction Center Procedures*

We noted the following accounting practices at the community correction centers that were not in compliance with Department PPDs governing community corrections center accounting procedures.

- According to PPD #1.3.6, Accounting for the Finances of Residents in the Community Corrections Centers, procedure (IV), (A), (2), all checks should be stamped immediately upon receipt. This directive is not being followed at the Calumet House in Manchester and the North End House in Concord. At these two centers checks are not endorsed until the deposit is prepared.
- PPD #1.3.6 (IV), (A), (3), states that "the account clerk shall deposit the checks in the Community Corrections Center checking account on a daily basis." This requirement is not being met at the Calumet House where deposits are made two or three times per week. Deposits are not made on days when there are only four or five checks on hand in the safe. At the North End House, where there are four residents, the two paychecks received each week are not deposited until the following Thursday.

OBSERVATION NO. 8: INTERNAL CONTROL STRUCTURE IMPLEMENTED THROUGH POLICY AND PROCEDURE DIRECTIVES (Continued)

OBSERVATIONS (Continued):

C. *District Office Procedures*

During our review of the various PPDs and administrative rules that pertain to defining the internal control structure over the trust and agency funds, we noticed the following instance where PPDs and administrative rules conflicted in a way that could adversely affect the Department's accounting procedures and records.

- Administrative Rule Cor. 312.01 states that arrearage notices are sent to offenders when their accounts become 30 days in arrears. PPD #3.14, District Office Collection Procedures, part (IV), (D), (2), states that arrearage notices are sent to offenders when an account becomes two payments (60 days) in arrears, this appears to be the more common practice. This inconsistency in policy leads to non-uniform procedures being performed by all the district offices.

RECOMMENDATION:

- The Department of Corrections should review all of its issued PPDs and administrative rules to ensure that they continue to outline and direct the Department's intent for its policies and procedures. In order to be effective, the Department's directives should be clear, concise, consistent and communicated to the Department personnel.

AUDITEE RESPONSE:

- All PPDs are reviewed and updated on an annual basis. When conflicts are discovered, corrections are made. All DOC personnel have a responsibility to be familiar with applicable PPDs.

OBSERVATION NO. 9: BASIS OF ACCOUNTING AND REPORTING ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE

OBSERVATION:

- The Inmate Fund is an agency fund of the Department. The Department's Recreation and Canteen Funds are classified as expendable trust funds. Generally accepted accounting principles (GAAP) state that agency and expendable trust funds are to be accounted for on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when liabilities are incurred. Therefore, GAAP requires the inclusion of accounts receivable and accounts payable, and their effects on revenue and expenditures, on agency fund and expendable trust fund financial statements. The Department does not consistently report accounts receivable (A/R) or accounts payable (A/P) for these funds. The schedules below provide this information by fund.

FUND	UNDERSTATEMENT OF A/R AT 6/30/94	UNDERSTATEMENT OF A/R AT 3/31/95	UNDERSTATEMENT OF REVENUE 9 M/E 3/31/95
Inmate Fund	\$76,737	\$84,868	\$ 8,131
Recreation Fund	\$57,317	\$67,985	\$10,668
Canteen Fund	\$ 3,318	\$ 2,520	\$ (798)

FUND	UNDERSTATEMENT OF A/P AT 6/30/94	UNDERSTATEMENT OF A/P AT 3/31/95	UNDERSTATEMENT OF EXPENDITURES 9 M/E 3/31/95
Recreation Fund	\$ 1,898	\$10,465	\$ 8,567
Canteen Fund	\$ -0-	\$23,841	\$23,841

These amounts have been reflected in the financial statements beginning on page thirty-nine of this report.

RECOMMENDATION:

- The Department of Corrections should account for and report the balances and activity of the Inmate, Recreation and Canteen Funds on the modified accrual basis of accounting. This basis should include recording and reporting accounts payable and accounts receivable.

AUDITEE RESPONSE:

- The DOC internal auditor will work with Fiscal Management to establish financial statements that comply with GAAP.

PROBATION/PAROLE ACCOUNTING
REPORTABLE CONDITIONS

OBSERVATION NO. 10: PROBATION/PAROLE DISTRICT OFFICE - FILE REVIEWS

OBSERVATION:

- The Department of Corrections has detailed Policy and Procedure Directives (PPD) that cover the district office collection procedures including; PPD #3.14, PPD #3.3.5, PPD #3.23 and PPD #1.3.28. During our site visits and testing of 125 case files at the district offices we noted that the district offices generally had a high level of compliance with these PPDs. There was at least a 97% compliance rate for these PPDs in the 125 cases tested. There were however some instances of noncompliance in selected files that remained uncorrected for extended periods of time. For example, in four cases we noted that supervision fees were in substantial arrears (10 to 30 months) and there was no indication in the files that the arrearages had been followed up on as required by PPD #3.14. In another case, \$120 in restitution money held for a victim since 1990 had not been disbursed as the Department was unable to locate the victim. The Department has not reported this money to the State Treasury as required by PPD #1.3.28.

The fact that these noted issues have remained in the files unresolved for extended periods of time indicates that either there was a lack of timely file review of these cases by the district office or a lack of timely corrective action.

RECOMMENDATION:

- The Department of Corrections should take steps to ensure that district offices are performing adequate file reviews to detect and resolve cases that are in noncompliance with the Department's established policy and procedure directives.

AUDITEE RESPONSE:

- Probation/Parole Personnel are being reminded to comply with PPD's.
- Internal auditor will follow up on a regular basis.

OBSERVATION NO. 11: PROBATION/PAROLE FUND - SEGREGATION OF DUTIES

An effective system of internal accounting control has a proper segregation of duties over the custody, authorization, recording, and reconciliation of assets. Segregation of these functions reduces the possibility of undetected errors and irregularities and helps to strengthen the reliability of amounts recorded and reported. In addition, proper segregation of duties will enhance efficiency in a department's accounting system.

OBSERVATION:

- During our review of the internal control structure that related to the Probation and Parole Fund, we observed the following procedures at the district offices and the Bureau of Information Services where incompatible functions were not appropriately segregated:
 - A. The segregation of duties required for an effective system of internal control over the receipt and revenue process are not in place at the district offices. For example, all district office employees can accept payments from offenders and prepare payment receipts, have access to the safe, and post transactions to the ledger cards. Some individuals at the district offices have the above responsibilities and are also responsible for preparing and making the daily deposit, preparing the weekly remittance, reconciling the weekly remittance, and reconciling the ledger cards to the monthly Financial Status Report. The regular involvement of employees in these incompatible functions causes a significant internal accounting control structure weakness.
 - B. The Probation/Parole Support System contains accounts and information for all probationers and parolees. The system contains data on each offender including the amount of any restitution, supervision fees and fines owed and to whom the amounts are owed. At times, changes need to be made to the data in an offender's account. Changes such as suspending an offender's fine or supervision fee, force closing an account due to an inability to locate the offender, or vacating a fine due to the offender's inability to pay, need written court authorization. Other changes that do not involve altering an offender's total balance due can be made without court approval include increasing/decreasing an offender's monthly payment amount, changing an address, etc. While it is required by district office procedures to have changes documented in the offender's file at the district office there are only limited controls within the Probation/Parole Support System to prevent unauthorized changes to financial information. Access to what should be control functions within the system is not adequately limited to only authorized individuals.

OBSERVATION NO. 11: PROBATION/PAROLE FUND - SEGREGATION OF DUTIES
(Continued)

RECOMMENDATIONS:

- A. The Department should review the job assignments at all district offices in order to determine whether staffing levels allow for an effective segregation of accounting duties. While the staffing levels at the smaller offices may not allow an adequate level of segregation, steps can be taken to partially segregate functions and thereby strengthen the internal accounting controls and reduce the possibility of undetected errors and irregularities involving receipts and revenue.

- B. The controls in the Probation/Parole Support System should be improved. Only those individuals authorized to make changes to financial information should have access to that capability in the system. Other individuals, including individuals responsible for collecting or handling receipts or accounting for accounts receivable, should be prevented by the system from gaining access to change or alter financial information. All changes affecting offenders' financial information should be made by persons who are independent of the receipt of money and posting to the ledger cards. The initial posting of the total amount owed by the offender should be input by someone independent of the accounts receivable function.

As previously noted, we acknowledge that there may not be sufficient clerical personnel to achieve complete segregation of duties at each district office, however the Department should work toward segregating duties as much as practically possible in order to limit the risk of undetected errors or irregularities.

AUDITEE RESPONSE:

- A. Segregation exists as far as staffing permits. DOC internal auditor is monitoring on a regular basis.

- B. BIS will investigate feasibility of developing a management report to list all significant financial changes made for review and approval - (arrearages and adjustments). Controls are currently in place that only authorized individuals have access to make changes to financial information.

OBSERVATION NO. 12: HANDLING OF CHECKS PRINTED BY THE DEPARTMENT OF ADMINISTRATIVE SERVICES DATA CENTER

OBSERVATION:

- The Department of Administrative Services Data Center (ASDC) prints the checks for payments from the Probation/Parole Support System. Once printed, the ASDC sends the checks to the Department of Corrections' Bureau of Information Services (BIS) so the BIS can be assured that all of the checks requested were produced and were not misplaced or destroyed in the check production process. BIS separates these checks into pay types and uses an adding machine to add each check and to agree the total amount per the checks to the total reported on the Preliminary Disbursement Listing Report.

While this BIS review of the printed checks may be considered a control, it is not efficient and is itself a violation of good internal control practices. Generally, checks should not be returned to the organization that initially requests them.

RECOMMENDATION:

- The Department should require the ASDC to provide sufficient reports evidencing the accuracy and completeness of the checks printed. Once the checks are printed and verified by the ASDC, the checks should be mailed without further handling by the BIS.

AUDITEE RESPONSE:

- Checks are now mailed out directly from Treasury and not returned to BIS.

OBSERVATION NO. 13: TRANSFERS FROM UNRESTRICTED REVENUE ACCOUNTS BACK TO THE PROBATION/PAROLE HOLDING ACCOUNT

OBSERVATION:

- If a probationer/parolee's payments are posted to an incorrect account in the State's accounting system (NHIFS), or a court orders a payment to be adjusted, for example from a court fine to a restitution payment, an adjustment is made in both NHIFS and the Probation/Parole Support System as follows:

- A payment voucher is filled out by the Bureau of Information Services (BIS) to request a check drawn against the NHIFS unrestricted revenue account from which the funds need to be taken.

OBSERVATION NO. 13: TRANSFERS FROM UNRESTRICTED REVENUE ACCOUNTS BACK TO THE PROBATION/PAROLE HOLDING ACCOUNT (Continued)

OBSERVATION (Continued):

- The check is then sent to the BIS for deposit into the Department of Corrections Probation/Parole Support System bank account and for posting to the NHIFS holding account.

This method of transferring funds between NHIFS accounts is inefficient and is a violation of good internal control procedures as it results in checks being sent to the individual who prepared them. The Bureau of Fiscal Management regularly distributes money from the holding account to the NHIFS unrestricted revenue accounts using an A-17, cash receipt form. The A-17 form can be used to increase or decrease the appropriate accounts as needed.

The use of an A-17 form to make this type of transfer adjustment would be more efficient and would cut down on the amount of time and paper work that is currently being spent on these transfers. This would allow these transfers to be made more timely and would eliminate the risk associated with the production and handling of checks. The procedures for adjusting the Probation/Parole Support System would need to be modified only slightly to indicate that the method of adjustment is a transfer via an A-17 form.

RECOMMENDATION:

- The Bureau of Information Services should perform adjustment transfers from the unrestricted revenue accounts to the holding account in the same manner as the Bureau of Fiscal Management distributes the money from the holding account by using an A-17, cash receipt form. The A-17 form could be used to increase or decrease the appropriate accounts as needed and would avoid the check cutting process.

AUDITEE RESPONSE:

- A-17s are now being used to adjust accounts as needed.

OBSERVATION NO. 14: RECONCILIATION OF THE PROBATION/PAROLE FUND

OBSERVATION:

- Per Policy and Procedure Directive #1.3.21 section (IV), (C), (1), the Department's Fiscal Management reports are to be reconciled to the State's accounting system reports (NHIFS) on a monthly basis.

To perform these reconciliations for the accounts in the Probation and Parole System, separate reconciliation ledger sheets are maintained for each account. The monthly balances from these ledger sheets are agreed to the ending monthly balance on NHIFS. The Bureau of Information Services (BIS) performs these reconciliations for the following Parole and Probation System accounts: collection fees, supervision fees, bad check fees, lawyer fees, and annulment fees. The BIS does not perform a reconciliation of the holding account because according to BIS personnel it would be too cumbersome and time consuming.

A review of the February reconciliation sheets (reviewed on 3/20/95) revealed that not all of the reconciliations were complete or accurate. According to BIS personnel, a primary cause of the incomplete reconciliations was lack of time in which to do them.

The reconciliation of Department records with NHIFS is a very important process in ensuring that the balances on the State's NHIFS computer system reflect accurately the financial activity of the Department of Correction's Probation and Parole Fund.

RECOMMENDATIONS:

- The BIS should perform accurate and timely reconciliations of all accounts, including the holding account.
- The BIS's current reconciliation process could be made more efficient if the Probation and Parole System was programmed to keep fiscal year-to-date totals for each account. These totals could then be traced and agreed to amounts on the NHIFS reports. The reconciliation could be documented monthly on a spreadsheet which could be easier to read and more accurate than the manual system.

AUDITEE RESPONSE:

- All accounts are up to date and being reconciled on a timely basis. BIS will review the reconciliation process to determine if efficiency can be increased through programming changes in the probation/parole system.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of the Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

AUDITOR'S REPORT ON STATE COMPLIANCE

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the trust and agency funds, excluding the Vocational Training Fund, of the Department of Corrections, of the State of New Hampshire, as of and for the nine months ended March 31, 1995, and have issued our report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with state laws, regulations, and directives applicable to the Department of Corrections is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, and directives. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no issues of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the management of the Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

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AUDITOR'S REPORT ON MANAGEMENT ISSUES

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the trust and agency funds, excluding the Vocational Training Fund, of the Department of Corrections, of the State of New Hampshire, as of and for the nine months ended March 31, 1995, and have issued our report thereon dated June 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the trust and agency funds of the Department of Corrections as of and for the nine months ended March 31, 1995 we noted certain issues related to the operation of the trust and agency funds of the Department of Corrections that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, rules or regulations.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable conditions or noncompliance are included on pages thirty-two through thirty-six.

This report is intended for the information of the management of the Department of Corrections and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon its acceptance by the Fiscal Committee, is a matter public record.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

INMATE ACCOUNTING MANAGEMENT ISSUES

OBSERVATION NO. 15: AUTOMATION OF THE FINANCIAL ACTIVITIES OF TRUST AND AGENCY FUNDS AT THE INMATE ACCOUNTING OFFICE

OBSERVATION:

- As we noted in our prior audits of the Department of Corrections - Trust and Agency Funds for the 18 months ended 12/31/86 and the 18 months ended 12/31/91, the Inmate Accounting Office is responsible for accounting for the Inmate Fund and three other Department trust and agency funds. The Inmate Fund includes subsidiary ledger accounts for each of the approximately 2,000 inmates. These trust and agency funds are deposited into, transferred among, and disbursed from four separate bank accounts - Inmate, Recreation, Canteen, and Television - and, except for some canteen activity, essentially all financial transactions are accounted for and recorded manually. Because of the various subsidiary and control ledgers used in the accounting system, a single transaction may be manually recorded as many as five times. In addition, the various ledgers must be reconciled to one another and to the checkbook register. In our prior two reports we recommended that the process be computerized so that the process would become more timely and efficient. In its response to the comment in the 1991 report, the Department indicated that the Inmate Fund accounting should be automated by the fall of 1994. While the computerization project was underway during our audit period, as of the end of our field work, this project was still in the testing phases.

RECOMMENDATION:

- The importance of developing and implementing an effective computerization plan for the Inmate Accounting Office can not be overemphasized. With the continued expansion of the inmate population and the various locations of state prison facilities, the accounting responsibilities of this Office are becoming increasingly overwhelming and complex. In designing the system, the Department should evaluate both the present and anticipated future accounting functions of the Inmate Accounting Office in order to design the maximum efficiency and effectiveness into the system.

Once designed and tested, the implementation of the system should be expedited.

AUDITEE RESPONSE:

- We agree, design and testing is ongoing. Inmate Accounting was automated and went on line December 1, 1995.

**OBSERVATION NO. 16: INMATE ACCOUNTING OFFICE - INTERNAL CONTROL STRUCTURE
INEFFICIENCIES RELATED TO CONTROLS OVER DISBURSEMENTS**

OBSERVATION:

- During our review of the internal control structure of the trust and agency funds that are accounted for at the Inmate Accounting Office we observed a strong system of internal control over disbursements, however, it appears to be costly in terms of time and personnel involvement.

The disbursement procedures for the Canteen and Recreation Funds require the paperwork related to these disbursements be processed through four separate locations in order to have the disbursements approved and the checks signed. The locations include: the Recreation or Canteen Office; the Inmate Accounting Office; the Division of Administration, Bureau of Fiscal Management; and the Warden's office. Personnel at each of these locations perform some sort of approval function on each of these disbursements.

RECOMMENDATION:

- The Department of Corrections should evaluate its current procedures for the review and approval of trust and agency fund disbursements to make certain that these control procedures are not only effective but are also efficient.

AUDITEE RESPONSE:

- Current procedures were established to provide maximum control with available staff resources. We will continue to evaluate work flow for efficiency and effectiveness.

PROBATION/PAROLE ACCOUNTING
MANAGEMENT ISSUES

OBSERVATION NO. 17: SUGGESTED ENHANCEMENTS TO THE PROBATION/PAROLE
SUPPORT SYSTEM

OBSERVATION:

- During our testing of receipts and disbursements of the Probation/Parole Support System we became familiar with the procedures for entering receipt and disbursement information, the methods of communication between the district offices and the Bureau of Information Services, and the reports that were generated for the district offices to determine offender compliance with the payment plans. The following items were noted where the system could be improved or otherwise enhanced.

- A. The Probation/Parole Support System has an E-mail feature that allows the district offices to correspond with the Bureau of Information Services. There were instances during audit testing where we were unable to determine the timing of an action or a request for adjustment recorded on an E-mail because the date was not recorded on the sender's copy of the E-mail message.

The system's E-mail feature would be enhanced if the current date, time, and sending office were included on the screen and document copy of the sender as well as the receiver of the message.

- B. The monthly Supervision Fee Arrearage Report is a report by district office of offenders who have arrearages for supervision fees. The probation/parole officers are required to review the arrearage reports monthly, per PPD #3.14. At the end of the month, the report is used to update the case files to reflect the changing status of offenders' arrearages.

The Supervision Fee Arrearage Report does not report offenders who have had their supervision fee suspended. That information is only available through the Financial Status Report which lists an action code, e.g. I - inactive, S - suspended, A - active, etc. for each offender. Tracking offender payment status is currently a high risk area because of the ease with which an offender's payment status can be changed within the system. An offender who was inaccurately coded would not appear on an arrearage report if required payments were not properly received and deposited.

There should be a timely and focused method of reviewing an offender's payment status and any related arrearage information. This could be done by generating an ad-hoc report that the district offices could access on-line and use to query specific case files.

OBSERVATION NO. 17: SUGGESTED ENHANCEMENTS TO THE PROBATION/PAROLE SUPPORT SYSTEM (Continued)

OBSERVATION (Continued):

- C. When the district offices collect money from the offenders they manually prepare a cash receipt, post the payment information to an individual offender ledger card, and prepare the daily remittance slips that categorize the receipts by types of payment for example; supervision fees, fines, and restitution. All of the cash receipts and the remittance slips are sent to the Bureau of Information Services where the Supervisor of Computer Operations I and the Data Control Clerk III input the individual cash receipts into the Probation/Parole Support System.

It would be more efficient and perhaps effective to have the district offices input the cash receipts directly into the Probation/Parole Support System and have the system generate the cash receipt for the offender. The Bureau of Information Services could then reconcile the daily deposit amounts to what has been input into the system for the day.

RECOMMENDATION:

- The Department of Corrections should review the procedures and controls within the Probation/Parole Support System and implement the system enhancements that it considers appropriate to make the system more effective and efficient.

AUDITEE RESPONSE:

- A. Health & Human Services advises it is not practical and too costly to have the E mail feature include date and time.
- B. Probation Parole Personnel will work with BIS to develop a management report to advise of cases in suspense or inactive status to indicate arrearages.
- C. We will review procedures for cash receipts to determine feasibility and cost effectiveness of inputting cash receipts at the district office level.

OBSERVATION NO. 18: AUTOMATION OF MANAGEMENT FINANCIAL REPORTS OF THE PROBATION/PAROLE SUPPORT SYSTEM

OBSERVATION:

- During our testing of receipts and disbursements from the Probation/Parole Support System we became familiar with the various reports that were produced from the system and also with the many manual schedules that were prepared to present management information regarding receipts and disbursements by district office and account category. There are at least seven manually generated schedules and reports prepared by the Bureau of Information Services to accumulate management information from the Probation/Parole Support System. Many of these schedules and reports are generated for each district office each month.

Because these schedules and reports are prepared manually from information in the computerized system, they are subject to error and they are relatively costly in employee time to complete.

RECOMMENDATION:

- The Bureau of Information Services should write computer generated reports to accumulate and report this standard management information. By writing standard computerized reports, the reports would be more timely, accurate, and less costly to the Department.

AUDITEE RESPONSE:

- All reports have been automated and are generated off the computer system.

INDEPENDENT AUDITOR'S REPORT

TO THE FISCAL COMMITTEE OF THE GENERAL COURT:

We have audited the accompanying financial statements of the trust and agency funds, excluding the Vocational Training Fund, of the Department of Corrections, of the State of New Hampshire, as of and for the nine months ended March 31, 1995. These financial statements are the responsibility of the management of the Department of Corrections. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in NOTE 1, the financial statements present only the trust and agency funds, excluding the Vocational Training Fund, and are not intended to present fairly the financial position and results of operations of the Department of Corrections, of the State of New Hampshire in conformity with generally accepted accounting principles.

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the trust and agency funds of the Department of Corrections as of March 31, 1995 and the results of its operations for the nine months then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The accompanying schedules presented on pages forty-eight through fifty are presented for the purposes of additional analysis and are not required parts of the financial statements of the trust and agency funds of the Department of Corrections. Such information has been subjected to the auditing procedures applied in our audit of the financial statements referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to those financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 1995 on our consideration of the Department of Corrections' internal control structure over its trust and agency funds and a report dated June 30, 1995 on its compliance with laws and regulations relating to its trust and agency funds.

Office of Legislative Budget Assistant
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

June 30, 1995

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS AND AGENCY FUNDS
AS OF MARCH 31, 1995**

	<u>EXPENDABLE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>	<u>TOTAL EXPENDABLE TRUST AND AGENCY FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (NOTE 2)	\$ 264,830	\$ 492,251	\$ 757,081
Accounts Receivable	70,505	93,368	163,873
Inventory (NOTE 1)	90,733	-0-	90,733
Due from Television Fund	8,500	-0-	8,500
Due from Inmate Fund	41,664	-0-	41,664
Rebates Due	2,015	-0-	2,015
Equipment (NOTE 4)	<u>378,086</u>	<u>-0-</u>	<u>378,086</u>
TOTAL ASSETS	<u>\$ 856,333</u>	<u>\$ 585,619</u>	<u>\$1,441,952</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts Payable	\$ 54,161	\$ -0-	\$ 54,161
Customer Deposits (NOTE 1)	45,625	-0-	45,625
Customer Over/(Under) Payments	1,234	-0-	1,234
Other Custodial Funds Payable	-0-	272,589	272,589
Due to Administrative Office of the Courts (Fines)	-0-	213,786	213,786
Due to Victims (Restitution)	-0-	88,700	88,700
Due to Recreation Fund	-0-	8,500	8,500
Due to General Fund (Collection Fees)	-0-	965	965
Due to Public Defender (Lawyer Fees)	-0-	791	791
Due to General Fund (Supervision Fees)	-0-	206	206
Due to Police Standards and Training Council (Supervision Fees)	<u>-0-</u>	<u>82</u>	<u>82</u>
TOTAL LIABILITIES	<u>\$ 101,020</u>	<u>\$ 585,619</u>	<u>\$ 686,639</u>
TOTAL FUND BALANCE	<u>\$ 755,313</u>	<u>\$ -0-</u>	<u>\$ 755,313</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 856,333</u>	<u>\$ 585,619</u>	<u>\$1,441,952</u>

The accompanying notes are an integral
part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
EXPENDABLE TRUST FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	<u>RECREATION FUND</u>	<u>CANTEEN FUND</u>	<u>TOTAL EXPENDABLE TRUST FUNDS</u>
<u>REVENUES</u>			
Sales of Goods or Services (NOTE 1)	\$ -0-	\$ 1,006,556	\$ 1,006,556
Donations	258,822	-0-	258,822
Other	<u>343</u>	<u>82</u>	<u>425</u>
TOTAL REVENUES	<u>\$ 259,165</u>	<u>\$ 1,006,638</u>	<u>\$ 1,265,803</u>
<u>EXPENDITURES</u>			
Cost of Goods Sold (NOTE 3)	\$ -0-	\$ 950,150	\$ 950,150
Equipment and Supplies	196,313	-0-	196,313
Other	<u>22,496</u>	<u>11,024</u>	<u>33,520</u>
TOTAL EXPENDITURES	<u>\$ 218,809</u>	<u>\$ 961,174</u>	<u>\$ 1,179,983</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 40,356</u>	<u>\$ 45,464</u>	<u>\$ 85,820</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Disposal of Surplus Equipment (NOTE 4)	\$(26,208)	\$ -0-	\$(26,208)
Transfers In From Inmate Fund (NOTE 1)	26,254	1,004,498	1,030,752
Transfers Out to Sales	-0-	(1,004,498)	(1,004,498)
Transfers In From Canteen Fund	9,338	-0-	9,338
Transfers Out to Recreation Fund	<u>-0-</u>	<u>(9,338)</u>	<u>(9,338)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 9,384</u>	<u>\$ (9,338)</u>	<u>\$ 46</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES & OTHER USES	\$ 49,740	\$ 36,126	\$ 85,866
FUND BALANCE - JULY 1, 1994 (Unaudited) (NOTE 1)	<u>\$ 633,260</u>	<u>\$ 36,187</u>	<u>\$ 669,447</u>
FUND BALANCE - MARCH 31, 1995	<u>\$ 683,000</u>	<u>\$ 72,313</u>	<u>\$ 755,313</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	BALANCE 7/1/94 (NOTE 1)	ADDITIONS	DEDUCTIONS	BALANCE 3/31/95
<u>INMATE FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents (NOTE 2)	\$132,561	\$1,440,228	\$1,417,367	\$155,422
Accounts Receivable	<u>76,737</u>	<u>84,868</u>	<u>76,737</u>	<u>84,868</u>
TOTAL ASSETS	<u>\$209,298</u>	<u>\$1,525,096</u>	<u>\$1,494,104</u>	<u>\$240,290</u>
<u>LIABILITIES</u>				
Other Custodial Funds Payable	<u>\$209,298</u>	<u>\$1,525,096</u>	<u>\$1,494,104</u>	<u>\$240,290</u>
<u>TELEVISION FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents (NOTE 2)	\$ 4,583	\$ 10,320	\$ 11,696	\$ 3,207
Televisions - Time Payments	<u>8,500</u>	<u>-0-</u>	<u>-0-</u>	<u>8,500</u>
TOTAL ASSETS	<u>\$ 13,083</u>	<u>\$ 10,320</u>	<u>\$ 11,696</u>	<u>\$ 11,707</u>
<u>LIABILITIES</u>				
Due to Recreation Fund	\$ 8,500	\$ -0-	\$ -0-	\$ 8,500
Other Custodial Funds Payable	<u>4,583</u>	<u>10,320</u>	<u>11,696</u>	<u>3,207</u>
TOTAL LIABILITIES	<u>\$ 13,083</u>	<u>\$ 10,320</u>	<u>\$ 11,696</u>	<u>\$ 11,707</u>
<u>COMMUNITY CORRECTIONS CENTERS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents (NOTE 2)	\$ 32,970	\$ 788,398	\$ 794,128	\$ 27,240
<u>LIABILITIES</u>				
Other Custodial Funds Payable	<u>\$ 32,970</u>	<u>\$ 788,398</u>	<u>\$ 794,128</u>	<u>\$ 27,240</u>
<u>PROBATION/PAROLE FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents (NOTE 2)	\$277,238	\$1,476,137	\$1,446,993	\$306,382
<u>LIABILITIES</u>				
Due to Victims (Restitution)	\$ 67,170	\$ 646,080	\$ 624,550	\$ 88,700
Due to Administrative Office of the Courts (Fines)	204,493	222,488	213,195	213,786
Due to General Fund (Supervision Fees)	2,056	227,851	229,701	206
Due to Public Defender (Lawyer Fees)	464	153,483	153,156	791
Due to General Fund (Collection Fees)	514	98,587	98,136	965
Due to Police Standards & Training Council (Supervision Fees)	646	93,724	94,288	82
Due to General Fund (Annulment Fees)	-0-	30,800	30,800	-0-
Other Custodial Funds Payable	<u>1,895</u>	<u>3,124</u>	<u>3,167</u>	<u>1,852</u>
TOTAL LIABILITIES	<u>\$277,238</u>	<u>\$1,476,137</u>	<u>\$1,446,993</u>	<u>\$306,382</u>
<u>TOTALS - AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents (NOTE 2)	\$447,352	\$3,715,083	\$3,670,184	\$492,251
Accounts Receivable	<u>85,237</u>	<u>84,868</u>	<u>76,737</u>	<u>93,368</u>
TOTAL ASSETS	<u>\$532,589</u>	<u>\$3,799,951</u>	<u>\$3,746,921</u>	<u>\$585,619</u>
<u>LIABILITIES</u>				
Other Custodial Funds Payable	\$248,746	\$2,326,938	\$2,303,095	\$272,589
Due to Administrative Office of the Courts (Fines)	204,493	222,488	213,195	213,786
Due to Victims (Restitution)	67,170	646,080	624,550	88,700
Due to Recreation Fund	8,500	-0-	-0-	8,500
Due to General Fund (Supervision Fees)	2,056	227,851	229,701	206
Due to General Fund (Collection Fees)	514	98,587	98,136	965
Due to Public Defender (Lawyer Fees)	464	153,483	153,156	791
Due to Police Standards & Training Council (Supervision Fees)	646	93,724	94,288	82
Due to General Fund (Annulment Fees)	-0-	30,800	30,800	-0-
TOTAL LIABILITIES	<u>\$532,589</u>	<u>\$3,799,951</u>	<u>\$3,746,921</u>	<u>\$585,619</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Department of Corrections, established under RSA 21-H, is an organization of the primary government of the State of New Hampshire. The financial activity of the Department of Corrections is accounted for in the General, Special, Capital Projects, Agency, and Expendable Trust Funds of the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Financial activity is reported by fund for the State as a whole in the CAFR. The Department of Corrections, as an organization of the primary government, only accounts for a portion of the financial activity reported in the CAFR in the General, Special, Capital Projects, Agency, and Expendable Trust Funds. The accompanying financial statements are intended to show the financial position, changes in fund balance, and results of operations of the Department of Corrections, excluding the Vocational Training Fund, in the Agency and Expendable Trust Funds. The accompanying financial statements are not intended to show the financial position, changes in fund balance, and results of operations of the Department of Corrections in the General, Special and Capital Projects Funds.

The Combining Balance Sheet, the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the Statement of Changes in Assets and Liabilities, reflect the financial activities of the Recreation Fund, Canteen Fund, Inmate Fund, Community Corrections Centers Funds, Probation/Parole Fund, and Television Fund controlled by the New Hampshire Department of Corrections. The activity of these funds is reported in the State of New Hampshire's Comprehensive Annual Financial Report.

The Department of Corrections accounts for all financial activity of the Recreation Fund and the Canteen Fund as expendable trust funds and the Inmate Fund, Community Corrections Centers, Probation/Parole Fund and Television Fund as agency funds.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial Statements

The financial statements of the trust and agency funds of Department of Corrections have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Accounting

The Department of Corrections uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Department of Corrections uses fiduciary funds to report on the financial position and results of operations of the expendable trust funds and the agency funds.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

FIDUCIARY FUND TYPE

Trust and Agency Funds

Transactions related to assets held by the Department of Corrections in an agency/trustee capacity are accounted for in the fiduciary fund type. Assets received by the Department of Corrections as an agent/trustee are accounted for as agency or trust funds.

Agency Funds

Agency funds are used to account for fiduciary relationships involving only custodial or modest management responsibilities. They report assets received for, and disbursed to, other governmental units or private sector organizations, groups or individuals. Agency funds are accounted for using the modified accrual basis of accounting and do not report a fund equity balance or measure results of operations. Agency fund activity is shown in a statement of changes in assets and liabilities.

The Agency Funds include the following:

Inmate Fund: The Department of Corrections operates the Inmate Fund as a banking system for its inmates. The Inmate Fund is a control account which consists of individual subsidiary records for each inmate incarcerated in the New Hampshire State Prison, the New Hampshire State Prison for Women and the Lakes Region Facility.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Funds (Continued)

Television Fund: All financial activity relative to the installment sales of television sets to inmates is recorded in the Television Fund.

Community Correction Center Funds: The Calumet, Shea Farm, and North End community correction centers each operate and maintain funds similar to the Inmate Fund. These funds maintain and report the financial activities of the residents.

Probation/Parole Fund: Assets held by the Department of Corrections as an agent for crime victims (restitution), the State of New Hampshire General Fund (collection, supervision, attorney, and annulment fees), and the Administrative Office of the Courts (fines), are accounted for in the Probation/Parole Fund. The Fund records all receipts and disbursements of court ordered amounts imposed on individuals who are under the direct supervision of the Division of Field Services, or who have been ordered by the courts to reimburse amounts owed through the Department of Corrections. Receipts include all amounts collected by the fourteen district probation offices which are deposited daily and reported to the Bureau of Information Services. Disbursements are processed monthly by the Administrative Services Data Center. The disbursements are under the control of the Bureau of Information Services.

Expendable Trust Funds

Expendable trust funds are used to account for fiduciary relationships in which both the trust principal and earnings thereon may be expended for the purposes of the trust.

The Expendable Trust Funds include the following:

Canteen Fund: All purchases and sales activity of the two canteens located at the New Hampshire State Prison is recorded in the Canteen Fund.

Recreation Fund: The Recreation Fund is used to record activity related to the purchase of recreational equipment and materials used by inmates for hobbycraft projects.

C. BASIS OF ACCOUNTING

The Department of Corrections accounts for the financial transactions of the trust and agency funds on the modified accrual basis, under which revenues and assets are recognized in the accounting period in which they become measurable and available to finance operations during the year. Expenditures and liabilities are recognized in the period in which obligations are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits.

Inventory

Inventory for the Canteen is accounted for on the First-In First-Out (FIFO) pricing method under which the first merchandise acquired is the first merchandise considered sold. Therefore, the units remaining in inventory are valued at the most recent cost to allow better matching of revenues and expenditures.

Fixed Assets

All fixed assets of an expendable trust fund is accounted for in that fund based on the terms of the trust agreement. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation of fixed assets of an expendable trust fund is not recorded in the fund's operating statement.

Customer Deposits

Customer deposits for the Canteen Fund represent the sum of the individual inmates' available Canteen balances as of March 31, 1995.

Intrafund Transfers

Generally accepted accounting principles require that expendable trusts separately identify transfers from operating revenues and expenditures. The trust and agency funds have six component funds among which monies are transferred. The total Transfers Out are greater than the total Transfers In on the Statement of Revenues, Expenditures, and Changes in Fund Balance because the Transfers In to the Canteen Fund are presented as sales (See NOTE 2 for Description of Canteen Fund). This presentation allows the reader to more easily identify profit and provides more meaningful statements. The following is a reconciliation between the amount transferred from the Inmate Fund to the Sales amount recorded on the Canteen financial reports for the audit period:

Transfers from Inmate Fund (Cash Basis)	\$1,004,498
Add: June 30, 1994 Available to Inmates	47,683
Less: March 31, 1995 Available to Inmates	<u>(45,625)</u>
Transfers from Inmate Fund (Accrual Basis)	\$1,006,556
 Sales July 1, 1994 - March 31, 1995	 <u>\$1,006,556</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of Goods Sold

The Statement of Revenues, Expenditures, and Changes in Fund Balance shows the activity of the Recreation Fund and the Canteen Fund. The Canteen Fund is the only fund that operates as a merchandising entity showing cost of goods sold.

July 1, 1994 Balances Unaudited

The July 1, 1994 balances reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Changes in Assets and Liabilities were reported on a cash basis in the prior years and were not subjected to auditing procedures by the Office of Legislative Budget Assistant.

NOTE 2 -- CASH AND CASH EQUIVALENTS

The Department of Corrections maintains checking accounts for the deposit, retention and disbursement for the following: Recreation Fund, Canteen Fund, Inmate Fund, Television Fund, and Community Correction Centers (3 funds). The accounts are, for the most part, not interest-bearing. Each fund is FDIC insured for up to \$100,000. Generally, deposits are made daily from receipts from inmates/clients and relatives, and amounts are generally transferred or disbursed upon request from the inmates/clients. The total bank balance represents amounts on deposit as reported by the banking institutions at March 31, 1995. The carrying amount represents the balance per the Department of Corrections' records at March 31, 1995. At March 31, 1995, demand deposits of the trust and agency funds in the custody of the Department of Corrections, are shown in the following schedule.

Fund	FDIC Insured	Uninsured	Total Bank Balance	Total Carrying Amount
Calumet House	\$ 19,203	\$ -0-	\$ 19,203	11,043
Shea Farm House	19,300	-0-	19,300	15,536
North End House Concord	1,608	-0-	1,608	661
Canteen Fund	100,000	18,658	118,658	28,528
Recreation Fund	100,000	151,436	251,436	236,302
Television Fund	1,507	-0-	1,507	3,207
Inmate Fund (earns interest)	100,000	124,857	224,857	155,422
Total	\$341,618	\$294,951	\$636,569	\$450,699

The Treasury Department performs the custodian function for the Probation/Parole Fund account. The Department of Corrections' Probation/Parole Support System reports a carrying amount of \$306,382 at March 31, 1995.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3 -- COST OF GOODS SOLD

The following is a schedule of the cost of goods sold at the prison canteen as reported in the Canteen Fund for the nine months ended March 31, 1995.

	<u>Canteen Fund</u>
Beginning Inventory	\$ 98,099
Add: Purchases	<u>942,784</u>
Goods Available for Sale	1,040,883
Less: Ending Inventory	<u>(90,733)</u>
Cost of Goods Sold	<u>\$ 950,150</u>

Items available for sale at the prison canteen include clothing, food, toiletries, and other personal items as approved by the Department of Corrections for possession by the inmates. All items are sold at cost plus one percent.

NOTE 4 -- EXPENDABLE TRUST FUND EQUIPMENT

The Department accounts for equipment of the Recreation Fund (expendable trust fund) based on historical cost, if known, estimated cost if historical cost is unknown, or fair market value at date of acquisition if the asset is donated.

The equipment balance reported as of March 31, 1995 totaled \$378,086. The following schedule presents the equipment balance and activity reported by the Recreation Fund for the nine months ended March 31, 1995

Beginning Equipment Balance at July 1, 1994	\$360,027
Additions	44,267
Deletions (Surplused)	<u>(26,208)</u>
Ending Equipment Balance at March 31, 1995	<u>\$378,086</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**SCHEDULE OF ADDITIONS AND DEDUCTIONS
AGENCY FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

	<u>PROBATION PAROLE</u>	<u>COMMUNITY CORRECTION CENTERS</u>	<u>INMATE FUND</u>	<u>TELEVISION FUND</u>	<u>TOTAL</u>
FUND BALANCE, JULY 1, 1994 (NOTE 1)	\$ 277,238	\$ 32,970	\$ 209,298	\$13,083	\$ 532,589
<u>ADDITIONS (CASH RECEIPTS)</u>					
Restitution	\$ 646,080	\$ -0-	\$ -0-	\$ -0-	\$ 646,080
Fines	222,488	-0-	-0-	-0-	222,488
Supervision Fees - GF	227,851	-0-	-0-	-0-	227,851
Supervision Fees - PSTC	93,724	-0-	-0-	-0-	93,724
Lawyer Fees	153,483	-0-	-0-	-0-	153,483
Collection Fees	98,587	-0-	-0-	-0-	98,587
Annulment Fees	30,800	-0-	-0-	-0-	30,800
Other	3,124	788,398	84,869	10,320	886,711
Inmates Cash In	-0-	-0-	701,226	-0-	701,226
Inmate Wages	-0-	-0-	691,006	-0-	691,006
Hobbycraft	-0-	-0-	45,554	-0-	45,554
Interest	<u>-0-</u>	<u>-0-</u>	<u>2,441</u>	<u>-0-</u>	<u>2,441</u>
TOTAL ADDITIONS	\$1,476,137	\$788,398	\$1,525,096	\$10,320	\$3,799,951
<u>DEDUCTIONS (CASH DISBURSEMENTS)</u>					
Restitution	\$ 624,550	\$ -0-	\$ -0-	\$ -0-	\$ 624,550
Fines	213,195	-0-	-0-	-0-	213,195
Supervision Fees - GF	229,701	-0-	-0-	-0-	229,701
Supervision Fees - PSTC	94,288	-0-	-0-	-0-	94,288
Lawyer Fees	153,156	-0-	-0-	-0-	153,156
Collection Fees	98,136	-0-	-0-	-0-	98,136
Annulment Fees	30,800	-0-	-0-	-0-	30,800
Other	3,167	794,128	92,902	11,696	901,893
Transfers to Canteen Fund	-0-	-0-	1,004,498	-0-	1,004,498
Transfers to Recreation Fund	-0-	-0-	26,254	-0-	26,254
Transfers to TV Fund	-0-	-0-	10,320	-0-	10,320
Inmate Fund Checks Out	-0-	-0-	333,180	-0-	333,180
Inmate Fund - Change	<u>-0-</u>	<u>-0-</u>	<u>26,950</u>	<u>-0-</u>	<u>26,950</u>
TOTAL DEDUCTIONS	\$1,446,993	\$794,128	\$1,494,104	\$11,696	\$3,746,921
FUND BALANCE, MARCH 31, 1995	<u>\$ 306,382</u>	<u>\$ 27,240</u>	<u>\$ 240,290</u>	<u>\$11,707</u>	<u>\$ 585,619</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
AS OF MARCH 31, 1995**

	<u>RECREATION FUND</u>	<u>CANTEEN FUND</u>	<u>TOTAL EXPENDABLE TRUST FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (NOTE 2)	\$236,302	\$ 28,528	\$264,830
Accounts Receivable	67,985	2,520	70,505
Inventory (NOTE 1)	-0-	90,733	90,733
Due from Television Fund	8,500	-0-	8,500
Due from Inmate Fund	2,594	39,070	41,664
Rebates Due	-0-	2,015	2,015
Equipment (NOTE 4)	<u>378,086</u>	<u>-0-</u>	<u>378,086</u>
TOTAL ASSETS	<u>\$693,467</u>	<u>\$162,866</u>	<u>\$856,333</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts Payable	\$ 10,467	\$ 43,694	\$ 54,161
Customer Deposits (NOTE 1)	-0-	45,625	45,625
Customer Over/(Under) Payments	<u>-0-</u>	<u>1,234</u>	<u>1,234</u>
TOTAL LIABILITIES	<u>\$ 10,467</u>	<u>\$ 90,553</u>	<u>\$101,020</u>
 FUND BALANCE:			
TOTAL FUND BALANCE	<u>\$683,000</u>	<u>\$ 72,313</u>	<u>\$755,313</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$693,467</u>	<u>\$162,866</u>	<u>\$856,333</u>

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF CORRECTIONS
TRUST AND AGENCY FUNDS**

**SCHEDULE OF INTRAFUND TRANSFERS
EXPENDABLE TRUST FUNDS AND AGENCY FUNDS
FOR THE NINE MONTHS ENDED MARCH 31, 1995**

TRANSFERS IN							
EXPENDABLE TRUST FUNDS			AGENCY FUNDS			TOTAL EXPENDABLE TRUST & AGENCY	
RECREATION FUND	CANTEEN FUND	TOTAL EXPENDABLE TRUST FUNDS	INMATE FUND	TV FUND	TOTAL AGENCY FUNDS		
<u>TRANSFERS OUT</u>							
INMATE FUND	\$26,254	\$1,004,498	\$1,030,752	\$ -0-	\$10,320	\$10,320	\$1,041,072
CANTEEN FUND	<u>9,338</u>	<u>-0-</u>	<u>9,338</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>9,338</u>
TOTAL TRANSFERS	<u>\$35,592</u>	<u>\$1,004,498</u>	<u>\$1,040,090</u>	<u>\$ -0-</u>	<u>\$10,320</u>	<u>\$10,320</u>	<u>\$1,050,410</u>

APPENDIX - STATUS OF PRIOR AUDIT REPORT OBSERVATIONS

The following is a summary of the June 30, 1995 status of the observations originally reported in the audit report of the Department of Corrections - Trust and Agency Funds for the eighteen months ended December 31, 1991. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, Room 102, State House, Concord, N.H. 03301.

<u>INTERNAL CONTROL</u>	<u>STATUS</u>
1. Ineffective Internal Control Structure Established by Management	● ● ●
2. No Automation of Financial Activities of the Inmate Fund (See current Observation No. 15)	○ ○ ○
3. Deficiencies in the Automated Canteen System	● ● ●
4. Thresholds for Writing Off Individual Inmate Accounts	● ● ●
5. Accounting for the Vocational Training Account	● ● ●
6. Partially Paid Fines Owed to AOC	● ● ●
7. Cash Management	● ● ●
8. Insufficient Monthly Bank Reconciliation Procedures	● ● ●
 <u>STATE COMPLIANCE</u>	
9. Improper Treatment of Abandoned Inmate Accounts	● ● ●
10. Improper Use of Recreation Account Monies	● ● ●
11. Noncompliance with Inmate Fund Policy and Procedure Directives (See Other Policy and Procedure Directive issues cited at current-year Observation No. 8)	● ● ●
12. Inadequate Procedures in Place for Returned Checks	● ● ●
13. Inconsistencies in Handling Delinquent Accounts (See current-year Observation No. 8)	● ● ○

<u>STATUS KEY</u>	
Fully resolved	● ● ●
Substantially resolved	● ● ○
Partially resolved	● ○ ○
Unresolved	○ ○ ○

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