



**Audit Report of the Nebraska Department of Correctional Services
Cornhusker State Industries
July 1, 2001 through June 30, 2002**

Report Highlights

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The Department of Correctional Services (DCS) operates Cornhusker State Industries (CSI), which enables inmates to participate in productive work in traditional industries and private venture projects. Our report included seven Comments and Recommendations, which are summarized below:

❑ Accounts Receivable and Accounts Payable Documentation: The Department did not maintain a detailed listing of the \$1,087,784 in accounts receivable and \$376,841 in accounts payable recorded on the financial statements. We recommend the Department retain a hard copy of the detailed accounts receivable and accounts payable balances at fiscal year end to support amounts reported on the financial statements.

❑ Capital Assets: The Department maintained three separate accounting systems for the Cornhusker State Industries' capital assets and depreciation and did not reconcile these systems. We recommend the Department reconcile the Depreciation Expense Report software to the NCR and SWIS systems. Also, additions and deletions should be made based on NAS and performed in a timely manner to ensure the amounts reported on the financial statements are correct.

❑ Accounts Receivable Collections: The Department did not have procedures in place to review the outstanding accounts receivable or to send out collection statements. We recommend the Department implement procedures to ensure collection of old outstanding accounts receivable accounts.

❑ Written Travel Policy: The Department did not have a policy in place requiring meal logs or

receipts be maintained when reimbursing employee travel expenses. We recommend the Department follow Department of Administrative Services guidelines and immediately develop and implement a meal reimbursement policy as outlined in the Nebraska Accounting System Manual's Travel Expense Policies.

❑ Merchandise Inventory Count Procedures: The Department did not have on file adequate documentation supporting adjustments made as the result of year end merchandise inventory counts. We recommend the Department retain all supporting documentation to support inventory counts and adjustments. Inventory counts should be reviewed in detail to ensure the documentation is complete and accurate and adjustments are reviewed and approved.

❑ Expense Documentation: The Department did not maintain adequate documentation supporting the payment of \$12,000 in moving expenses for a newly appointed employee. We recommend the Department maintain all supporting documentation pertaining to expenses.

❑ Petty Cash Authorization: In 1999, the Department requested a temporary increase in the CSI petty cash fund from \$500 to \$6,000. This increase was granted, but the fund was never decreased back to the original \$500. We recommend the Department reduce its petty cash fund to the approved level of \$500, or obtain proper approval to keep the balance at \$6,000.

We have detailed our findings, and responses, in the Comments and Recommendations section of the report, which can be found at www.auditors.state.ne.us.