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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 1903 JOHN F. KENNEDY FEDERAL BUILDING  
GOVERNMENT CENTER  
BOSTON, MASSACHUSETTS 02203



DEC 18 1970

Mr. Paul Wilkes  
Superintendent of Industries  
Federal Prison Industries, Inc.  
Federal Correctional Institution  
Danbury, Connecticut 06810

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Dear Mr. Wilkes:

We have completed our examination of the financial statements of the Federal Prison Industries, Inc. (FPI) at the Federal Correctional Institution, Danbury, Connecticut, for the fiscal year ended June 30, 1970. We made such tests of the accounting records and financial transactions and performed such other auditing procedures as we considered necessary in view of the nature and volume of transactions, and the effectiveness of internal controls including the internal audit functions.

Our findings were discussed with your predecessor and staff at the conclusion of our review. Although they concurred with these findings, we have summarized them below for your information and follow up.

- Some checks were not deposited until two weeks after receipt rather than twice weekly as required by FPI Manual instructions. When we brought this matter to the attention of your staff they indicated that procedures would be implemented to assure that checks are deposited twice weekly.
- Accounts payable as of June 30, 1970 were understated by \$964 because the unliquidated encumbrances established for five purchase orders were not immediately transferred to accounts payable when the items ordered were received and liability for payment resulted. When we brought this matter to the attention of your staff, the understatement was corrected and we were advised procedures would be established to match purchase order receipts with unliquidated encumbrances in a timely manner.

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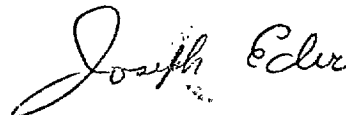
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- We found several minor errors in the computation of civilian payroll increases and deductions. These errors may have been noticed if the payroll had been independently verified. Your staff promised to correct the errors and establish a procedure to independently verify the payroll.
  
- The Glove Factory's machinery and equipment account and related reserve account includes fixed assets used for vocational training activities which are not part of the Factory's operations. Approval should be obtained from the FPI Central Office to segregate these assets or at least note this fact in order to provide more accurate disclosure.

We shall appreciate your comments and advice as the the results of any further action taken on these matters. We wish to acknowledge the cooperation extended to our representatives by both your civilian and inmate personnel during our review.

Copies of this letter are being sent to the Commissioner of Industries, Federal Prison Industries, Inc., Department of Justice, Washington, D.C., The Assistant Attorney General for Administration, Department of Justice, Washington, D.C., and the Warden, Federal Correctional Institution, Danbury, Connecticut.

Sincerely yours,



Joseph Eder  
Regional Manager