



UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE

ROOM 403, U.S. CUSTOMHOUSE, 610 SOUTH CANAL STREET
CHICAGO, ILLINOIS 60607

OCT 7 1971

Mr. William A. Haupt
Superintendent of Industries
Federal Prison Industries, Inc.
Federal Correctional Institution
Sandstone, Minnesota 55072

Dear Mr. Haupt:

We have completed an examination of the financial statements of the Federal Prison Industries, Inc. (FPI), Sandstone, Minnesota, for the fiscal year ended June 30, 1971. The examination was made pursuant to the Government Corporation Control Act (31 U.S.C. 841).

Our review, which was completed in September 1971, was made in accordance with generally accepted auditing standards and included such tests of accounting records and financial transactions as we considered necessary in view of the nature and volume of transactions and the effectiveness of internal controls, including the internal audit function.

Our findings, which were discussed with you and other officials at the conclusion of the review, would have no significant effect upon the reliability of the financial statements for your location. However, certain observations which are within your authority and responsibility, upon which corrective action has been taken or promised, are summarized below for your information.

1. Inventory differences disclosed by our August 1971 test counts and a review of storeroom requisitions and procedures indicated a need for better materials and supplies control. For example:

--A physical inventory count of glove factory and print plant materials and supplies stocks disclosed differences in five of the seven items checked.

--We noted that most materials and supplies are not maintained in a separate controlled area.

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--In our examination of storeroom requisitions, we found that in almost all instances the same person's signature appeared on the requisition form as having requested, issued, and received the materials, indicating that there is no separation of these functions in the requisition process.

--We further found that several requisitions shown as having been filled in May 1971 were dated June 1971.

We believe that a controlled area and a separation of duties with one individual assigned the responsibility of filling requisitions and maintaining the storeroom would improve the control over materials and supplies stocks.

2. During our review of fixed assets, we noted that there were a number of equipment items which were not identified by equipment tags or other type markings. For example:

--Our test check of equipment items included in the glove factory inventory revealed that 11 of the 22 pieces of equipment checked had no identifying equipment number.

--We observed that none of the 21 equipment items checked in vocational training had an identifying number.

We were advised that equipment tags had been ordered and they will be attached to all fixed assets where it is practicable to do so. On other items, such as machine dies, numbers will be etched or affixed in some other suitable manner.

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We shall appreciate your comments and advice as to 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, Sandstone, Minnesota.

Sincerely yours,

M. R. Wolfson
M. R. Wolfson
Regional Manager