

ARKANSAS DEPARTMENT OF CORRECTION

**Report on Certification of Consumption
of Farm Produce**

June 30, 2020

ARKANSAS DEPARTMENT OF CORRECTION
REPORT ON CERTIFICATION OF CONSUMPTION OF FARM PRODUCE
FOR THE YEAR ENDED JUNE 30, 2020

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Arkansas



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House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON CERTIFICATION OF CONSUMPTION OF FARM PRODUCE

Arkansas Department of Correction
Legislative Joint Auditing Committee

We have reviewed the accompanying schedules of consumption of farm produce of the Arkansas Department of Correction, a department of Arkansas state government, for the year ended June 30, 2020, as listed in the table of contents. These schedules are the responsibility of Agency management. Our responsibility is to certify these schedules based on our review.

Our review included such tests of the accounting records and such other procedures as we considered necessary in the circumstances. Our review was limited to determining whether the amount of produce reported as consumed and prices used in valuing this consumption were correct and in compliance with the requirements set forth in Ark. Code Ann. § 19-5-501(b)(1)(B). The review was more limited in scope than would be necessary to give an opinion on internal controls or compliance in accordance with auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on the internal controls or compliance, nor do we provide assurance that deficiencies in internal controls would have been detected during our review. We believe that our review provides a reasonable basis for our certification.

We certify that the schedules of consumption of farm produce referred to above present fairly, in all material respects, the value of consumption of farm produce of the Arkansas Department of Correction for the year ended June 30, 2020, in conformity with the Code referred to above.

We have also issued our report dated February 2, 2021, on our consideration of the Arkansas Department of Correction's internal control and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over schedules of consumption of farm produce and compliance and the results of that testing and not to provide an opinion on the internal control over schedules of consumption of farm produce or on compliance. That report is an integral part of our review and should be considered in assessing the results of our review.

ARKANSAS LEGISLATIVE AUDIT

Handwritten signature of Roger A. Norman in cursive.

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
February 2, 2021
SR1348120

Arkansas



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House Chair
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

Arkansas Department of Correction
Legislative Joint Auditing Committee

Ark. Code Ann. §19-5-501(b)(1)(B) authorizes a reduction in the Department of Correction's budget revolving loan of the previous fiscal year for the value of products produced or processed on the farm and consumed by prison inmates. The Legislative Auditor is to review the farm accounting records and certify whether the amount of farm produce reported as consumed and the value the Department places on these products are accurate. The value of products produced on the farm and consumed by inmates shall be based upon prices obtained by the Department of Correction and the State Procurement Director for purchasing similar products and quantities on the open market for other state agencies, institutions, and universities.

The Department of Correction's farming operations produce (1) meat, both beef and pork; (2) a variety of vegetables; (3) milk; and (4) eggs. The meat, vegetables, milk, and eggs are allocated to the kitchens of the various department units. When a unit requires produce for inmate consumption, a withdrawal is made from the slaughterhouse or the central storage facility. The farm personnel issuing the produce prepare a consignment sheet to show the amount and type of produce being withdrawn and its destination. The original consignment sheet and one copy are sent to the accounting office, one copy is sent with the produce to the unit, and one copy is retained by the issuing office. In our review, we relied on these consignment sheets as the basis for determining consumption. The accounting office uses the consignment sheets to prepare reports summarizing the amount consigned of each type of produce. In our review, we traced from the various summary reports back to the individual consignment sheets, tested the mathematical accuracy of these summary reports, and traced the totals shown to the yearly report.

During the fiscal year ended June 30, 1996, the Agency and the State Procurement Director determined that prices were not available on the open market for meat items similar to those produced or processed on the Agency's farm. The Agency raises cattle and hogs for slaughter and purchases carcass beef ready for processing. The Agency determined the value of meat consumed by using market prices published by the University of Arkansas Cooperative Extension Service for the lowest two grades of carcass beef. Medium grades of carcass pork were obtained from the USDA weekly market reports. Weekly published prices were averaged for the year ended June 30, 2020, and a markup estimated by the Agency was added to determine the value of the finished products. Prices for the value of vegetables, milk, and eggs produced by the farm for consumption were obtained from the State Procurement Director.

Our review made in accordance with Ark. Code Ann. §19-5-501(b)(1)(B), including the consideration of the Agency's internal control structure for the year ended June 30, 2020, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. We noted one matter involving the internal control over reporting and its operation, described in the accompanying Schedule of Findings and Responses, that we consider to be reportable. See Finding 2020-1.

SCHEDULE OF FINDINGS AND RESPONSES

2020-1 We are charged with reviewing the farm accounting records and certifying whether the amount of farm produce reported as consumed by inmates and the value the Agency places on these products are accurate. The Agency mistakenly reported the November 2017 egg consumption amount of \$125,229 as the November 2019 egg consumption amount. Farm records we tested revealed the November 2019 egg consumption was \$45,372, resulting in an overstatement of \$79,857.

We recommend the Agency perform a more detailed review of these transactions to prevent this type of error in the future.

Management personnel responded: *In the past, ADC exported monthly consumption information from QuickBooks to an Excel spreadsheet for reporting. Going forward, we will additionally compare year-to-date information in QuickBooks with the Inmate Consumption Excel spreadsheet on a year-to-date basis. This extra measure should help ensure the monthly consumption from QuickBooks is accurately reported annually.*

Agency's Response to Findings

The Agency's response to the finding identified in our certification is described above. The Agency's response was not subjected to the procedures applied in our certification of the consumption amount, and accordingly, we do not certify its accuracy.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, Agency management, the Board of Corrections, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 2, 2021
SR1348120

ARKANSAS DEPARTMENT OF CORRECTION
EXCESS OF BUDGET REVOLVING LOAN OVER (UNDER) VALUE OF CONSUMPTION
OF FARM PRODUCE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Total</u>
Amount of budget revolving loan	\$ 5,600,000
Value of consumption of farm produce	<u>(6,213,223)</u>
EXCESS OF BUDGET REVOLVING LOAN OVER (UNDER) VALUE OF CONSUMPTION OF FARM PRODUCE	<u>\$ (613,223)</u>

ARKANSAS DEPARTMENT OF CORRECTION
CONSUMPTION OF FARM PRODUCE
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Consumption by Inmates</u>
Meat	\$ 2,403,725
Vegetables	1,809,842
Milk and other beverages	1,408,091
Eggs	<u>591,565</u>
TOTAL CONSUMPTION	<u>\$ 6,213,223</u>