



STATE OF ALABAMA

DEPARTMENT OF CORRECTIONS

Don Siegelman
GOVERNOR

Research, Monitoring, & Evaluation
Post Office Box 301501
Montgomery, Alabama 36130-1501

Michael W. Haley
COMMISSIONER

November 29, 2000

ADMINISTRATIVE REGULATION
NUMBER 110

OPR: ACCOUNTING

INSTITUTION CONTINGENCY FUND

I. GENERAL

The primary purpose of the Institution Contingency Fund (ICF) is to provide certain materials and services for the benefit and welfare of the inmate population not otherwise provided with appropriated funds. Allowable expenditures also include specific obligations placed upon the fund by departmental management as well as certain authorized expenditures for basic supplies, materials, and small equipment as may be needed for facility operations. Major construction and renovation projects may also be allowed if approved by appropriate departmental management. The purpose of this regulation is to establish policy and procedure governing operation of the ICF. This regulation also delegates certain authority and assigns specific responsibilities for the control and proper use of the fund. The terms “designee” and “Commissioner’s designee” as used within this regulation refer to the appropriate Deputy Commissioner as applicable for institutions or community-based facilities. Any facility that, in the opinion of departmental management, fails to comply with the guidelines set forth by this regulation will be subject to funding reductions and/or expenditure restrictions. Such actions and their duration shall be at the discretion of the Commissioner, or designee.

II. DESIGNATED FUNDING

A. The Department provides funding for the ICF through the designation of certain revenues for that purpose. The Commissioner shall have sole authority over the designation of such revenues and may modify funding at any time and in any manner as may be determined appropriate. No supplemental fund raising activities are allowed within any facility unless specifically authorized in writing by the Commissioner, or designee. Approval of any ongoing revenue enhancement projects must be renewed on an annual basis. Designated funds include:

1. A percentage of canteen profits as established by the Commissioner.

2. Interest earned on Prisoner's Money on Deposit and ICF savings.
 3. Work release vending/store commissions including washer/dryer profits, video games, pool tables, etc.
 4. Revenues generated utilizing inmate labor including, but not limited to, barber/beauty shop activities, shoe shine activities, and visiting yard picture sales (Note: aluminum cans are to be sent to Elmore Correctional Facility for recycling).
 5. Contraband monies confiscated from inmates in accordance with guidelines established by AR 306.
- B. Donations by an individual or non-profit/charitable organization for specified purposes are acceptable with the prior written approval of the Commissioner, or designee. The purpose(s) must be appropriately documented by a "letter of donation." Expenditure of such funds must be limited to the terms of the donation.
- C. The Commissioner, or designee, may at any time direct the utilization of ICF funds, including the transfer of ICF funds between facilities, or the remittance of such funds for deposit into the Department's operating fund, as determined appropriate.

III. AUTHORIZED EXPENDITURES

- A. In order for an expenditure to be considered as an "authorized expenditure" it must be reasonably and logically classifiable under one of the following basic categories:
1. DESIGNATED OBLIGATIONS – Financial responsibilities levied upon the ICF by departmental management.
 2. INMATE WELFARE – Expenditures for the acquisition of materials and services for the direct benefit and welfare of the inmate population including health, safety, education, recreation, and entertainment.
 3. FACILITY OPERATIONS – Supplies, materials, and small equipment necessary for general operations, minor repairs and routine maintenance of inmate living quarters, recreation and lounge areas, and other common areas. Capital improvements including major renovations and expansion of those areas may also be allowed with appropriate approvals.
- B. The DOC internal audit staff will monitor all ICF expenditures for compliance with this regulation. Expenditures for items not specifically listed in the examples under the specified categories will be evaluated during facility audits. Any expenditure considered by the auditor(s) to be questionable, or inappropriate, will be included in the facility's audit report for possible follow-up by the Commissioner's designee.
- C. **DESIGNATED OBLIGATIONS**
1. Departmental management has assigned specific financial obligations to the ICF

as listed below. Expenditures for these designated obligations may be made in accordance with the approval requirements as specified. Financial obligations assigned to the ICF include, but are not limited to the following:

- a) Replacement of shortages in institutional funds and canteen inventory.
APPROVAL REQUIREMENT: *Recommendation by the internal audit staff or written approval by the DOC Fiscal Manager is required.*
- b) Purchase of law books and other legal publications for the institutional law libraries.
APPROVAL REQUIREMENT: *No departmental approvals required if publications are reflected on the list of pre-approved legal publications maintained by the DOC Legal Division. Otherwise, written approval from the Legal Division and the Commissioner's designee is required.*
- c) Purchase of postage for inmate legal mail as addressed by AR 303.
APPROVAL REQUIREMENT: *No departmental approvals required if postage is limited to inmate legal mail. If postage will be used for normal facility operation, then the purchase would fall under the FACILITY OPERATIONS category and would be subject to regular approval procedures.*
- d) Repair or replacement of state property damaged or destroyed by an inmate either through neglect or by willful act (must be documented by an Incident Report).
APPROVAL REQUIREMENT: *Written approval must be obtained from the Commissioner's designee.*
- e) Bank fees and service charges.
APPROVAL REQUIREMENT: *No departmental approval is required for routine bank charges. Extraordinary fees resulting from improper management of funds, such as, early withdrawal penalty imposed when cashing a certificate of deposit, must have written approval from the DOC Fiscal Manager.*

D. INMATE WELFARE

1. Expenditures of \$1,000 or less – For expenditures appropriately classified under the category of Inmate Welfare, the Warden is authorized to expend \$1,000 or less for a single purchase without further departmental approval. This limit is applicable to the total cost of a purchase, regardless of the quantity and/or variety of items included in the purchase. (**Note: This approval authorization is unrelated to the bid process and should not be confused with the dollar values established for determining the appropriate bid procedures.**)
2. Expenditures exceeding \$1,000 – All expenditures in this category exceeding \$1,000 must have prior written approval from the Commissioner, or designee. Splitting purchases to avoid either the bid requirement, or approval requirement, is a violation of this regulation. If the total cost of the split purchases is \$7,500.00

or more, such an act would also be a violation of the state bid law. It shall be the policy of this department to recover amounts expended contrary to this policy from the facility personnel making and/or directing any such expenditure.

3. Examples of appropriate expenditures – This category includes expenditures for the acquisition of materials and services that directly benefit and/or enhance the welfare of the inmate population. Examples of items that would be appropriately classified under this category are listed below. In addition to these examples, any item that could be reasonably and logically interpreted as falling within this category (to include items that directly provide for or enhance the health, safety, education, recreation, or entertainment of the inmates) would also be considered appropriate.
 - a) Sports and recreation activities, including uniforms, trophies and league fees.
 - b) Educational supplies and materials (including drug treatment programs).
 - c) Furniture for inmate living, dining, and educational facilities.
 - d) Entertainment equipment and supplies (and related expenses) provided for inmate use including, but not limited to:
 - (1) Televisions and video recorders/players.
 - (2) Satellite Dishes/Cable TV (Work Release Facilities Only).
 - (3) Movie rentals (requires Commercial License agreement).
 - e) Food items and condiments for mess hall and special inmate functions, including SAP graduation, GED graduation, and holiday functions.
 - f) Writing materials, including paper, pens, and envelopes for the institution law library (These and similar materials purchased for facility use must meet approval requirements under the FACILITY OPERATIONS category).
 - g) Notary Seals for employees responsible for notarizing inmate legal papers.
 - h) Inmate Stationary.
 - i) Sewing machines and related supplies for laundry.
 - j) Newspaper subscriptions (limited to one local and one statewide paper in reasonable quantities based upon the size of the facility).
 - k) Fans for inmate sleeping/lounge areas.
 - l) Camera and film for picture sales.

E. FACILITY OPERATIONS

1. Expenditures of \$500 or less – For expenditures appropriately classified under the facility operations category, the Warden is authorized to expend \$500 or less for a single purchase without further departmental approval. This limit is applicable to the total cost of a purchase, regardless of the quantity and/or variety of items included in the purchase. (**Note: This approval authorization is unrelated to the bid process and should not be confused with dollar values established for determining the appropriate bid procedures.**)
2. Expenditures exceeding \$500 – All expenditures in this category exceeding \$500 must have prior written approval from the Commissioner, or designee. Splitting purchases to avoid either the bid requirement, or approval requirement, is a

violation of this regulation. If the total cost of the split purchases is \$7,500.00 or more, such act would also be a violation of the State bid law. It shall be the policy of this department to recover amounts expended contrary to this policy from the facility personnel making and/or directing any such expenditure.

3. Examples of appropriate expenditures – Supplies and materials necessary for minor repairs and routine maintenance of departmental buildings and equipment, including basic housekeeping items, when purchased in accordance with previously stated approval requirements. Examples of appropriate items include:
 - a) Seed, fertilizer, pesticides, herbicides, fungicides, shrubs, small hand tools, and related supplies for institutional gardens/grounds maintenance.
 - b) Equipment (costing \$500, or less) for institutional gardens/grounds maintenance, including repairs, maintenance, and all necessary supplies for the operation of such equipment.
 - c) Other miscellaneous equipment, as approved by the Commissioner, or designee, including any necessary repairs, maintenance, and supplies for the operation of such equipment.
 - d) Food, condiments, decorations and related materials with a total cost of \$300 or less for special non-inmate related departmental functions.
 - e) Film for creating escape flyers.
 - f) Shoeshine supplies (where proceeds go to ICF).
 - g) Washers and dryers for work release facilities, including repairs and maintenance there to.
 - h) Rentals/Leases of small tools and equipment with a duration of 30 days or less.
 - i) Minor repairs and maintenance of buildings and components thereof where the total of such expenditures **does not exceed \$500 per month**, i.e. carpet cleaning, repair or replacement of a broken light fixture, replacement of a broken window pane, painting a portion of a wall that had been damaged.
 - j) First aid kits and related supplies.
 - k) Drivers license and testing fees for inmates authorized to drive departmental vehicles.

F. SPECIFIC RESTRICTIONS

1. Purchases of any computer hardware requiring a state property number, i.e. with a cost of \$100 or more, and all software purchases must be approved in writing by Information Systems and the Commissioner, or designee. Printer cables, ribbons, print heads, power cords, and UPS units with a cost of less than \$500 are considered routine repairs and maintenance items and are excluded from the departmental approval requirement.
2. Capital improvements including any renovation of existing buildings, construction of new buildings, and additions to existing buildings, require approval from the Commissioner, or designee. Such projects must also be coordinated with and approved by the Department's Engineering Administration Division. Any outside approval requirements, including that of the State Building Commission and Environmental Protection Agency (EPA), will be obtained by

the Engineering Administration Division. Documentation of approvals and coordination must be on file for audit inspection. New construction and/or major enhancements or expansions to existing structures require the completion of a capital outlay project form, as described in the Manual of Accounting Procedures, to ensure that changes in asset values are properly recorded in the General Fixed Assets records. Insurance coverage must also be reviewed and adjusted, as appropriate. Examples of capital improvement/renovations are: replacement of carpet, installation of a new light fixture (where no fixture had previously existed), painting interior and exterior walls required as a result of normal wear and/or aging.

3. Utility services such as gas and electricity must be justified to and approved by the Commissioner's designee annually. No changes in service types or options will be made unless approved in writing by the Commissioner's designee.
4. Communication equipment and/or services such as beepers, phones, and radios must be justified to and approved by the Commissioner's designee annually. All services will be limited in features to those that would be allowed if acquired with budgeted funds. No changes in service type, options, or enhancements will be made unless approved in writing by the Commissioner's designee.
5. All rentals/leases of a duration exceeding 30 days, such as copier rental or lease, must have written approval from the Commissioner, or designee. For agreements of less than 12 months duration, one time approval is required. For agreements exceeding 12 months duration, approval must be obtained annually. No changes in service types or options will be made unless approved in writing by the Commissioner, or designee.
6. It is the intent of the Department that no civilian or employee shall personally benefit from expenditures of this fund. This restriction shall apply to gifts to employees, the renovation and furnishing of employee offices, and the purchase of any materials or services from an employee, unless specifically authorized in writing by the Commissioner.

IV. BID REQUIREMENTS

- A. Any item available under State contract shall be purchased from the contracting vendor. This eliminates the requirement of obtaining bids prior to making the purchase. Such purchases must be documented by obtaining the contract number and recording that number on the related ICF documentation.
- B. Purchases from governmental entities, including Correctional Industries and the Department of Finance Central Mail and Supply, do not require bids.
- C. For purposes of interpreting this regulation, "Item" will be defined as either a single item, or quantity of a like item. For example, a single chair with a cost of \$30 would require no bids. However, if 50 of those chairs are purchased for a total cost of \$1,500.00 (50 x \$30), two written bids would be required. A second example, 10 pieces of lumber in assorted sizes with a total cost of \$75.00 would not require bids. However, 600 pieces of

lumber in assorted sizes with a cost of \$1,600.00 would be subject to departmental bid requirements.

- D. Specific bid requirements are applicable to individual purchases based upon item cost. Those requirements, assuming that the purchase is NOT being made from an existing state contract, are as follows:
1. The purchase of an item(s) with a cost of \$7,500.00 or more must be handled in accordance with the state bid law, i.e., written item specifications, advertisement of bid invitation, sealed bids, official bid opening, etc.
 2. The purchase of an item(s) with a cost of \$1,500.00 to \$7,499.99 requires two (2) written bids.
 3. The purchase of an item(s) with a cost of \$500.00 to \$1,499.99 requires two (2) phone quotes.
 4. The purchase of an item(s) with a cost of less than \$500.00 requires neither written bids nor phone quotes.
- E. If items of a like nature are purchased periodically during the year, total yearly purchases will be considered when determining compliance with this regulation and the state bid law. It is therefore critical that needs be anticipated and purchases planned accordingly to ensure purchases are handled in accordance with applicable policy.
- F. As previously stated in this regulation, splitting purchases to avoid either the bid requirement, or approval requirement, is a violation of this regulation and, if the total cost of such split purchases is \$7,500.00 or more, a violation of the state bid law.
- G. Bids for used items are generally unrealistic. Therefore, no bid requirement is imposed by this regulation. However, any purchases of used items must have prior written approval from the Commissioner, or designee.

V. RESPONSIBILITY

- A. The Department's internal staff shall be responsible for auditing ICF expenditures in accordance with AR 101. The audit staff will evaluate expenditures for compliance with this regulation and will report any material deviations as a part of their standard reporting practices. Any expenditure that, in the judgment of the auditor, either violates this regulation, or that might otherwise appear questionable will be reported for possible follow-up action by the Commissioner's designee.
- B. The Warden and Business Manager shall have the following responsibilities in operating and controlling the ICF:
1. The Warden must ensure that only appropriate expenditures are made from the ICF. Questionable purchases will be reviewed by the Commissioner's designee. The Commissioner, or designee, may require that the Warden and/or Business Manager repay the fund for any purchases determined inappropriate.

2. The Business Manager shall maintain all records as specified by the Institutional Accounting Manual, and in the manner specified, to properly document each disbursement from the ICF. Such documentation will include purchase orders, written bids, phone quotes, invoices, material receipts, administrative approvals, etc.
3. The Business Manager, or appropriate designee, will prepare a purchase order for the Warden's approval prior to all purchases from the fund. (A copy of the purchase order will be made available to the vendor upon request as documentation of a tax-exempt sale.)
4. The Warden and Business Manager will assure that no Alabama sales tax is paid as a result of purchasing items with ICF funds and shall recover or repay any tax paid in error.
5. The Warden and Business Manager will ensure that no purchase is made which requires payment at a later date, i.e. no credit/charge purchases. All purchases are to be paid for immediately upon receipt of the item(s) and/or service.
6. The Warden will ensure that no purchase is made from an individual or business that cannot provide the facility with an itemized invoice. As specified under **§41-4-54, 1975 Code of Alabama**, all accounts against the state must be accurately and fully itemized. Any individual purchasing items on behalf of the Department will ensure that an itemized invoice is received from the vendor at the time of purchase and that the invoice is immediately delivered to the facility's Business Manager. The cost of any item(s) for which an invoice is not provided to the Business Manager will be the responsibility of the individual making the purchase.
7. The Warden will ensure that no purchase is made from an inmate or from an employee of the Department, unless specifically approved in writing by the Commissioner, or designee.
8. The Warden will ensure that no funds are expended for charitable contributions or for the purchase of magazines, fruit, candy, etc., from a charitable or educational organization unless approved in writing by the Commissioner, or designee.
9. The Warden and Business Manager will ensure that items meeting the definition of state property as defined by state law are handled in accordance with AR 103 and the department's Property Manual.

VI. AUTHORIZED BANK ACCOUNTS

- A. In accordance with **§41-4-50, 1975 Code of Alabama**, all state accounts, including bank accounts operated outside the State Treasury, fall under the authority of the State Department of Finance, Division of Control and Accounts. No employee of the State of Alabama has authority to establish and/or maintain funds or bank accounts in the name of the state or an agency thereof, except as duly authorized by the Department of Finance.

Therefore, the separate maintenance of funds acquired through donations, contributions, or other means is strictly prohibited. Any funds of this nature must be deposited to the ICF account and will be subject to this regulation.

- B. All funds received by the Contingency Fund, regardless of source, are state funds. Any private donations become state funds immediately upon acceptance by a representative of the Department of Corrections. Therefore, such funds fall under the absolute authority of the Commissioner, or designee.

VII. RECORD KEEPING

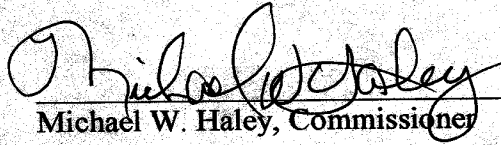
Records for all ICF activities will be maintained in accordance with specific guidelines established by the Department's Manual of Accounting Procedures for Institutions and Community Based Facilities.

VIII. REFERENCES

1975 Code of Alabama, as Revised
Administrative Regulation 103, Property Control
Administrative Regulation 303, Visitation and Correspondence Procedure
Administrative Regulation 306, Disposal of Contraband
Department of Corrections Property Manual

IX. SUPERSESION

This regulation supersedes Administrative Regulation 110, dated March 19, 1997.



Michael W. Haley, Commissioner

ANNEX

Annex A ICF Purchase Order Document

SUMMARY OF CHANGES

The primary purpose of this change is to clarify the fundamental purpose of the ICF as defined by departmental management. Approval requirements and associated procedures for ICF expenditures have also been clarified and streamlined in order to improve the efficiency of those processes.

