

Financial-Related Audit

Sentencing Guidelines Commission
July 1, 1998, through June 30, 2001



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 651-296-1727 (voice), or the Minnesota Relay Service at 651-297-5353 or 1-800-627-3529.

All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Sheryl Ramstad Hvass, Chair
Sentencing Guidelines Commission

Members of the Sentencing Guidelines Commission

Mr. Scott Swanson, Executive Director
Sentencing Guidelines Commission

We have audited the Sentencing Guidelines Commission for the period July 1, 1998, through June 30, 2001. Our audit scope focused on payroll and other administrative disbursements for rent services, supplies, and equipment. We also examined the commission's pass-through grant to fund a pilot project for county use of a sentencing guidelines database.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Sentencing Guidelines Commission complied with provisions of laws, regulations, and contracts that are significant to the audit. The management of the Sentencing Guidelines Commission is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, and contracts.

This report is intended for the information of the Legislative Audit Commission and the management of the Sentencing Guidelines Commission. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 21, 2002.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: January 23, 2002

Report Signed On: March 15, 2002

Sentencing Guidelines Commission

Table of Contents

	Page
Report Summary	1
Chapter 1. Introduction	2
Chapter 2. Administrative Expenditures	4
Chapter 3. Grant Expenditure	7
Status of Prior Audit Issues	9

Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Brad White, CPA, CISA	Audit Manager
Steve Johnson, CPA, CISA	Auditor-in-Charge
David Massaglia	Auditor

Exit Conference

We discussed the results of the audit with the following representative of the Sentencing Guidelines Commission at an exit conference on March 14, 2002:

Scott Swanson	Executive Director
---------------	--------------------

Sentencing Guidelines Commission

Report Summary

Overall Conclusions

The Sentencing Guidelines Commission's internal controls provided reasonable assurance that it accurately recorded commission personnel costs, administrative expenditures, and a pilot project grant in the state's accounting and payroll systems for the period July 1, 1998, through June 30, 2001. For the items tested, the commission complied with applicable finance-related legal provisions governing those activities.

Agency Background

The Sentencing Guidelines Commission, comprised of 11 members, operates under Minn. Stat. Section 244.09. It conducts ongoing research regarding sentencing practices and other matters relating to improvement of the criminal justice system. Scott Swanson is the current executive director of the commission.

The Sentencing Guidelines Commission finances its operations through General Fund appropriations. The Department of Corrections provides accounting and personnel services to the commission. The commission's appropriations were \$445,000, \$567,000, and \$648,000 for fiscal years 1999, 2000, and 2001, respectively. The fiscal year 2001 appropriation included funding of a \$100,000 pilot project grant to Ramsey County.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our work at the Sentencing Guidelines Commission included payroll and other administrative expenditures for rent, services, supplies, and equipment. We also examined the commission's pass-through grant to fund a pilot project for county use of a sentencing guidelines database.

Sentencing Guidelines Commission

Chapter 1. Introduction

The Minnesota Sentencing Guidelines Commission operates under the authority of Minnesota Statutes Section 244.09. The commission consists of 11 members representing both the criminal justice system and the public. Its primary purpose is to establish rational and consistent sentencing standards that reduce sentencing disparity, increase proportionality in sanctions, and ensure uniform sentencing for convicted felons. It conducts ongoing research regarding sentencing guidelines and other matters relating to improvement of the criminal justice system. Information is collected on actual sentencing practices and compared to sentences recommended by commission standards and guidelines.

The Sentencing Guidelines Commission employed eight full-time staff during the audit period including Ms. Debra L. Dailey, the commission's executive director. The commission appointed Mr. Scott Swanson as executive director beginning August 2001.

The Sentencing Guidelines Commission is funded from General Fund appropriations. Unexpended funds can carryforward between fiscal years of the two-year biennium. Table 1-1 summarizes the commission's resources and expenditures for the three-year audit period.

Table 1-1
Summary of General Fund Financial Activity
Fiscal Years 1999 - 2001

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Resources available for expenditures:			
Appropriations ^(Note 1)	\$445,000	\$567,000	\$648,000
Balance Forward In	20,120	0	26,123
Balance Forward Out	0	(26,123)	(1,370)
Transfers In ^(Note 2)		41,255	7,745
Cancellations	<u>(1,201)</u>	<u>0</u>	<u>(21,613)</u>
Total Resources Available	<u>\$463,919</u>	<u>\$582,132</u>	<u>\$658,885</u>
Expenditures:			
Personnel and Benefits	\$400,231	\$421,306	\$409,796
Space Rent	27,319	34,457	36,426
Supplies and Equipment	17,788	36,134	31,640
Professional Services ^(Note 3)	15,687	87,779	78,884
Travel	2,394	1,156	1,489
Board Per Diems	500	1,300	650
Grant ^(Note 1)	<u>0</u>	<u>0</u>	<u>100,000</u>
Total Expenditures	<u>\$463,919</u>	<u>\$582,132</u>	<u>\$658,885</u>

Note 1: The commission received a fiscal year 2001 appropriation of \$528,000, pursuant to Minnesota Laws for 1999, Chapter 216, Sec15, plus salary supplement funding of \$20,000. Minnesota Laws for 2000, Chapter 311, Article 1, Section 4 provided an additional appropriation of \$100,000 to fund a pilot project grant to Ramsey County.

Note 2: The commission received additional funding from the Minnesota Office of Technology's Small Agency Infrastructure Initiative. A balance of \$1,370 was carried forward into fiscal year 2002.

Note 3: Spending increases were due to additional funding of \$150,000 provided in the 2000-2001 biennium to implement a web-based sentencing guidelines worksheet program. This is further discussed in Chapter 2 of this report.

Note 4: In addition to its General Fund operations, the commission has gift monies in the state treasury that it has not used. The Gift Fund balance was \$5,322 as of June 30, 2001.

Source: Minnesota Accounting and Procurement System (MAPS) for fiscal years 1999, 2000, and 2001.

Sentencing Guidelines Commission

Minn. Stat. (2001) Section 244.09, Subd. 8 authorizes the Department of Corrections to provide administrative services for the Sentencing Guidelines Commission. It further provides that the commission shall reimburse the Department of Corrections. However, instead of reimbursement, the commission provided prison projection populations to the Department of Corrections in exchange for accounting and personnel services. We suggested that the commission document this interagency barter arrangement in writing, outlining terms and conditions.

Chapter 2. Administrative Expenditures

Chapter Conclusions

The Sentencing Guidelines Commission's internal controls provided reasonable assurance that employees, board members, and vendors were accurately paid in accordance with management authorization, and that transactions were properly recorded in the accounting and payroll systems. Mitigating detective controls sufficiently decrease the risks associated with incompatible access to update the commission's accounting system purchasing and disbursement functions.

For the items tested, the commission paid board members in accordance with Minnesota statutes, compensated employees in accordance with applicable bargaining agreements, and paid rent and services in accordance with its lease and contractual agreements. However, we noted that the commission did not comply with Minn. Stat. (2001) Section 16A.15, Subd. 3 on one occasion when it obtained professional services prior to encumbering funds in the accounting system. The commission planned extending a professional contract rather than creating a new one, and the contractor's proposal was not received until several days into the new contract period. In order to remedy the situation, the commission appropriately filed the necessary justification form with the Department of Administration's Materials Management Division.

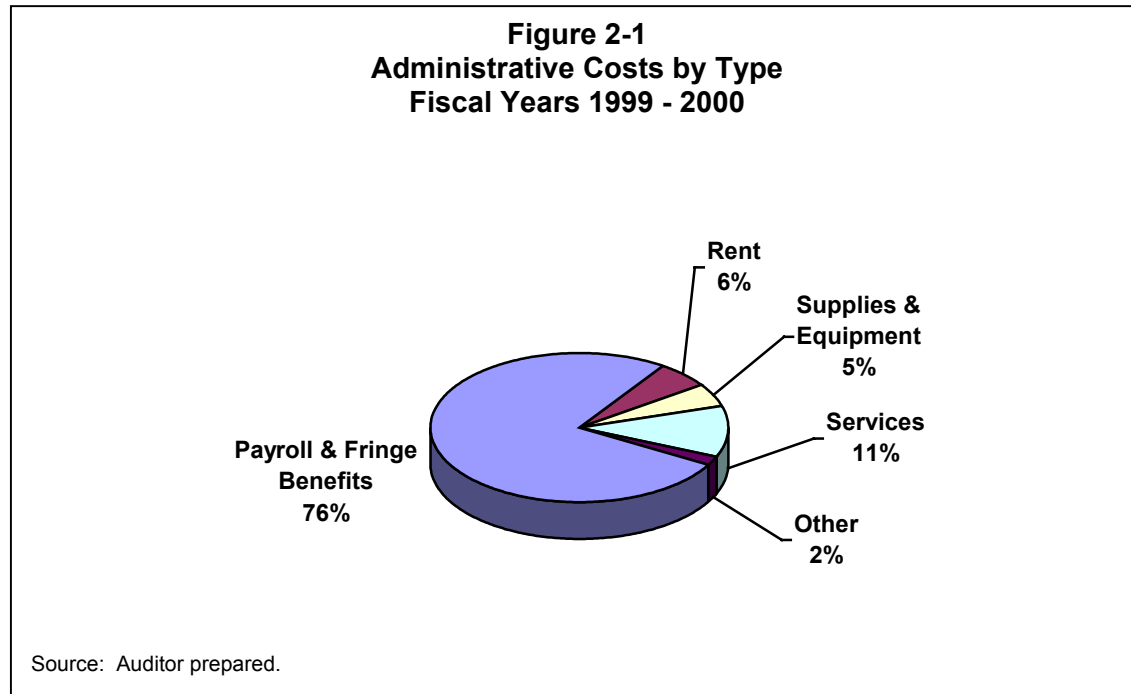
The commission's financial documents are reviewed and approved by its executive director, prior to being forwarded to the Department of Corrections for processing. Department of Corrections' staff input commission payments into the state's accounting system, the Minnesota Accounting and Procurement System.

Commission personnel and payroll transactions are input and processed through the State Employee Management System (SEMA4) by the Department of Corrections. Figure 2-1 shows personnel and fringe benefit costs were the largest operating category for the commission. The commission's executive director is compensated pursuant to the Commissioner's Plan, while staff compensation is governed by the American Federation of State, County and Municipal Employees (AFSCME) and Minnesota Association of Professional Employees (MAPE) contracts negotiated by the Department of Employee Relations. Travel costs are also reimbursed to employees based on their respective bargaining unit contract or plan.

We noted some Department of Corrections' staff that update commission financial transactions had incompatible ability to record procurement and vendor payment transactions for the commission. However, as an alternative to separating these incompatible functions, the

Sentencing Guidelines Commission

commission's executive director instituted detective controls to compare accounting system output reports to the originating vendor invoices.



The commission rents office space located at the University National Bank Building in St. Paul. The Department of Administration negotiated the commission's lease agreement, which outlines the rental terms and payment responsibilities.

Supplies and equipment items are purchased directly, procured through the Department of Administration, or acquired using state commodity contracts. The commission has specific procedures for procurement, authorization, and payment for these expenditures.

Services primarily include professional and technical contracts involved in implementation of the commission's web-based sentencing guidelines worksheet program. The commission's appropriations included \$150,000 for the 2000 – 2001 biennium to develop a web-based application to replace the current manual process that uses typewritten multi-part forms. The commission expended \$147,863 towards this goal and cancelled the remaining \$2,137. In addition, there were other expenditures such as data processing, communications, and computer network costs used by the commission to conduct ongoing research regarding crime and sentencing trends.

Other costs in Figure 2-1 include workers' compensation paid for an injured worker. Also, board member per diem expenditures were paid to the three public members serving on the Sentencing Guidelines Commission at a rate of \$50 per day pursuant to Minn. Stat. Section 244.09, Subd. 4.

Sentencing Guidelines Commission

Audit Objectives and Methodology

We focused our review of administrative expenditures on the following objectives:

- Did the Sentencing Guidelines Commission's internal controls provide reasonable assurance that employees, board members, and vendors were accurately paid in compliance with finance-related legal provisions and management's authorization?
- Were commission administrative expenditures and payroll transactions properly recorded in the accounting and payroll systems?
- Did the commission comply with significant finance-related legal requirements, compensation plans, and bargaining unit agreements?

To answer these questions, we obtained an understanding of the internal control structure in place over the processing of employee payroll and travel, board member per diems, vendor purchases and payments, and professional services contracts. We analyzed employee compensation and travel claims, compared paid work hours to authorized timesheets, and tested payrate increases for management authorization and compliance with the bargaining unit agreements. We compared rent payments to the authorized lease agreement and vendor payments to procurement documents, invoices, and professional service contracts. We also tested per diems paid to board members and the commission's workers' compensation claims paid to the Department of Employee Relations.

Conclusions

The Sentencing Guidelines Commission's internal controls provided reasonable assurance that employees, board members and vendors were accurately paid in accordance with management's authorization, and that transactions were properly recorded in the accounting and payroll systems. Mitigating detective controls sufficiently decrease the risks associated with incompatible access to update the commission's accounting system purchasing and disbursement functions.

For the items tested, the commission paid board members in accordance with Minnesota statutes, compensated employees in accordance with applicable bargaining agreements, and paid rent and services in accordance with its lease and contractual agreements. However, we noted that the commission did not comply with Minn. Stat. (2001) Section 16A.15, Subd. 3 on one occasion when it obtained professional services prior to encumbering funds in the accounting system. The commission planned extending a professional contract rather than creating a new one, and the contractor's proposal was not received until several days into the new contract period. In order to remedy the situation, the commission appropriately filed the necessary justification form with the Department of Administration's Materials Management Division.

Sentencing Guidelines Commission

Chapter 3. Grant Expenditure

Chapter Conclusions

The Sentencing Guidelines Commission properly recorded the pass-through grant in the accounting system. The commission complied with Laws of Minnesota, 2000, Chapter 311, Article 1, Sec. 4 and its grant agreement with Ramsey County for the appropriated pilot project.

The Sentencing Guidelines Commission received a General Fund appropriation of \$100,000 to finance, in part, a pilot project with Ramsey County. Laws of Minnesota, 2000, Chapter 311, Art. 1, Sec. 4 provided:

This appropriation is to establish a pilot project in Ramsey County to use the statewide statute table to ensure accurate and uniform charging on criminal complaints.

The commission maintains a “statewide statute table” to promote uniform and accurate recording of statute numbers by criminal justice agencies. It has been interested in making the data in the statewide statute table easily accessible to county and city criminal justice systems and probation officers to electronically complete Sentencing Guidelines Worksheets. The Ramsey County Attorney’s Office wanted to integrate the commission’s statewide statute table with the county’s case tracking system. A \$100,000 pass-through grant was appropriated to the commission for this purpose.

Pursuant to the grant agreement between the parties, the commission paid Ramsey County \$100,000, and the county hired a subcontractor to perform the work. Other county monies were also used to fund the project. During the course of the subcontractor’s work, Ramsey County became dissatisfied with the work product, and it terminated the subcontractor. At that point, the subcontractor had been paid \$50,000 of the \$100,000 grant, and the county is considering litigation to recover these funds. Ramsey County used other county monies to hire a second subcontractor to satisfactorily complete the work.

The Sentencing Guidelines Commission’s executive director has monitored the status of the grant project. The county provided the commission with a progress report in September 2001. Implementation was delayed due to the problems encountered with the first subcontractor; however, the system became operational in March 2002.

Audit Objectives and Methodology

Our review of the grant expenditure focused on the following objectives:

Sentencing Guidelines Commission

- Did the Sentencing Guidelines Commission properly record the grant transaction in the state's accounting system?
- Did the commission comply with Laws of Minnesota, 2000, Chapter 311, Article 1, Sec. 4 and its grant contract with Ramsey County?

To answer these questions, we interviewed the director of the Sentencing Guidelines Commission and discussed the pilot project. We reviewed the grant agreement with Ramsey County, along with project specifications, the progress report, and related correspondence.

Conclusions

The Sentencing Guidelines Commission properly recorded the pass-through grant in the accounting system. The commission complied with Laws of Minnesota, 2000, Chapter 311, Article 1, Sec. 4 and its grant agreement with Ramsey County for the appropriated pilot project.

**Status of Prior Audit Issues
As of January 23, 2002**

Most Recent Audit

May 1999, Legislative Audit Report 99-25 covered the three fiscal years ending June 30, 1998. The audit included a review of payroll, rent, and purchases services. The report contained three audit issues. All three audit issues have been resolved.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, and quasi-state organizations, such as the metropolitan agencies, or the State Agricultural Society, the state constitutional officers, or the judicial branch.