

**MINNESOTA CORRECTIONAL FACILITY -
OAK PARK HEIGHTS
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

90-40

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 20, 1990

No. 90-40

OBJECTIVES:

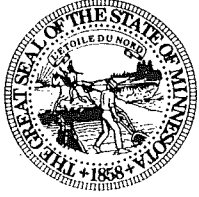
- **EVALUATE INTERNAL CONTROL STRUCTURE:** Receipts for industries, social welfare, canteen, and general areas; disbursements for industries, social welfare, canteen, and consumable inventory; payroll for staff and inmates.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

We found the internal control structure to be effective.

We found that the facility had complied with finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Orville B. Pung, Commissioner
Department of Corrections

Mr. Frank W. Wood, Warden
Minnesota Correctional Facility - Oak Park Heights

Audit Scope

We have conducted a financial related audit of the Minnesota Correctional Facility - Oak Park Heights (MCF - Oak Park Heights) as of and for the three years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of MCF - Oak Park Heights, as discussed in the Background Section. We have also made a study and evaluation of the internal control structure of MCF - Oak Park Heights in effect at March 31, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of MCF - Oak Park Heights are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of MCF - Oak Park Heights' compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of MCF - Oak Park Heights is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

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- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Receipts for -
 - Industries
 - Social Welfare
 - Canteen
 - General/Misc. Areas
- Disbursements for -
 - Industries
 - Social Welfare
 - Canteen
 - Consumable Inventory
- Payroll for -
 - Staff
 - Inmates

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

Our study and evaluation disclosed no reportable conditions involving the internal control structure of MCF - Oak Park Heights. Reportable conditions under standards established by the American Institute of Certified Public Accountants involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect MCF - Oak Park Heights' ability to record, process, summarize, and report financial data.

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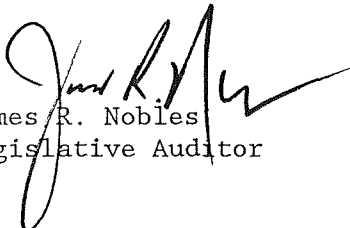
Our study and evaluation disclosed no material weakness. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted other matters involving the internal control structure and its operation that we reported to the management of MCF - Oak Park Heights at the exit conference held on June 4, 1990.

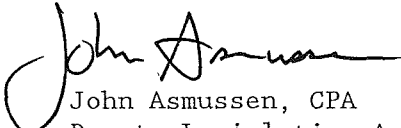
The results of our tests indicate that, with respect to the items tested, MCF - Oak Park Heights complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that MCF - Oak Park Heights had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of MCF - Oak Park Heights. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 20, 1990.

We would like to thank the MCF - Oak Park Heights staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: May 18, 1990

REPORT SIGNED ON: July 13, 1990

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

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AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Charlie Gill	Auditor-In-Charge
Karen Klein	Staff Auditor
Steve Pyan, CPA	Staff Auditor
Pat Ryan	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff on June 4, 1990:

MCF Oak Park Heights

Frank W. Wood
Dennis Benson
Robert Feneis
Connie Nelson
Thomas Grogan
Erik Skon
David Crist

Department of Corrections

Peter Maurer

Warden
Associate Warden, Administration
Finance Director
Accounting Supervisor
Industries Superintendent
Acting Associate Warden
Assistant to the Warden

Accounting Director, Institutions

MINNESOTA CORRECTIONAL FACILITY - OAK PARK HEIGHTS

I. BACKGROUND

The Minnesota Correctional Facility - Oak Park Heights (MCF-OPH) is one of eleven correctional facilities operated by the Department of Corrections. MCF-Oak Park Heights is under the general management and control of the Commissioner of Corrections and the immediate supervision of a warden appointed by the commissioner. Frank W. Wood has served as warden since MCF-OPH began operating in March 1982.

The Oak Park Heights facility houses adult male felons primarily with long sentences, high risk inmates or those identified as dangerous or chronic, and serious management problems transferred from the state's other correctional facilities. The estimated average daily inmate population at MCF-OPH for fiscal years 1987, 1988, and 1989 was 364, 373 and 371, respectively. For fiscal year 1989, MCF-OPH had an authorized complement of 287 positions and 19 positions for the mental health unit. The positions are financed primarily from central office allotments of General Fund appropriations.

The prison population includes inmates from political subdivisions, other states and inmates convicted of federal crimes. MCF-OPH is reimbursed for the costs of housing these inmates. During fiscal years 1987, 1988, and 1989, MCF-OPH collected \$1,405,124, \$2,532,358 and \$882,168 respectively in reimbursements for housing these prisoners.

In addition to protecting the public, the facility provides academic and vocational education and employment for inmates. Educational opportunities include basic remedial courses, college level courses, and various vocational programs. Employment opportunities consist of institution maintenance jobs and participation in the prison industry program. The industry operation includes office product manufacturing, a full line of canvas and vinyl notebooks, and the manufacture of file folders.

MCF-Oak Park Heights operations are financed primarily through General Fund appropriations made directly to the Department of Corrections, which is responsible for maintaining, controlling, and transferring the necessary allotments to the appropriate facility accounts. Other funding sources include federal grants, out-state inmate contracts, social welfare deposits and industries receipts. Expenditures for fiscal years 1988-1989 are shown below:

	<u>Year Ended June 30</u>	
	<u>1989</u>	<u>1988</u>
General Fund:		
Salaries	\$10,591,027	\$10,435,786
Contract Services	687,136	619,679
Travel	42,451	37,964
Supplies	1,094,041	1,124,194
Equipment	75,539	69,660
Other Administrative Expenditures	727,322	642,398
Expenditures from other funds:		
Social welfare activities	1,010,615	953,774
Industry expenditures	1,456,654	1,132,332
Other	447,883	394,393
Total Expenditures	<u>\$16,132,579</u>	<u>\$15,410,182</u>

Source: Statewide Accounting System Managers Financial Report as of September 3, 1988, and September 2, 1989.