

**DEPARTMENT OF CORRECTIONS**

**MINNESOTA CORRECTIONAL FACILITY - STILLWATER**

**FINANCIAL AUDIT**

**FOR THE THREE YEARS ENDED JUNE 30, 1991**

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**JUNE 1992**

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

**92-36**



# **MINNESOTA CORRECTIONAL FACILITY - STILLWATER**

## **FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991**

Public Release Date: June 19, 1992

No. 92-36

### **OBJECTIVES:**

- EVALUATE INTERNAL CONTROL STRUCTURE: staff payroll, supplies and materials, social welfare receipts and disbursements, and correctional industries receipts and disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

### **CONCLUSIONS:**

We found the internal control structure to be effective.

We found that Minnesota Correctional Facility - Stillwater 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

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Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Orville B. Pung, Commissioner  
Department of Corrections

Mr. Robert A. Erickson, Warden  
Minnesota Correctional Facility - Stillwater

## **Audit Scope**

We have conducted a financial related audit of the Minnesota Correctional Facility - Stillwater as of and for the three years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Correctional Facility - Stillwater as discussed in the Background section. We have also made a study and evaluation of the internal control structure of the Minnesota Correctional Facility - Stillwater in effect at December 1991.

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 the Minnesota Correctional Facility - Stillwater are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Correctional Facility - Stillwater's 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 the Minnesota Correctional Facility - Stillwater 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:

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- assets are safeguarded against loss from unauthorized use or disposition;
- 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. Also, 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:

- staff payroll
- supplies and materials
- social welfare receipts
- social welfare disbursements
- correctional industries receipts
- correctional industries disbursements

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.

### **Inappropriate Compensatory Time to Managerial Staff**

The facility paid associate wardens and assistants to the warden compensatory time for on-call assignments. The bargaining agreement for these employees states that managers cannot earn compensatory time except in emergencies declared by the appointing authority. The facility scheduled on-call hours in advance, not in emergency situations. During the period July 1, 1988 through June 30, 1991, these four employees inappropriately earned 444 hours of compensatory time for hours not worked. The facility initiated this practice after receiving instructions from the central office in a January 1988 memorandum. It established a policy whereby managerial employees assigned to be "officer of the day" for a

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seven day period could be granted one day of compensatory time after completion of the assignment. While auditing another facility, we questioned this practice and brought it to the attention of the Department of Corrections. The department then sent a memorandum which directed the facilities to discontinue the practice. MCF-Stillwater discontinued the practice in June, 1991. Based on our audit of the other facility, the Attorney General is considering whether the employees must repay the state for this inappropriate compensation.

## Conclusions


In our opinion, the internal control structure of the Minnesota Correctional Facility - Stillwater in effect at December 1991, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to transactions of the Minnesota Correctional Facility - Stillwater.

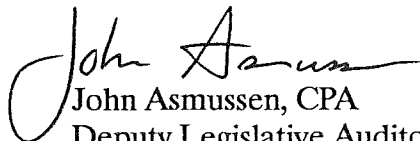
We noted other matters involving the internal control structure that we reported to the management of the Minnesota Correctional Facility - Stillwater at the exit conference held on March 9, 1992.

The results of our tests indicate that, with respect to the items tested, the Minnesota Correctional Facility - Stillwater 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 the Minnesota Correctional Facility - Stillwater 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 the Minnesota Correctional Facility - Stillwater. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 19, 1992.

We thank the Minnesota Correctional Facility - Stillwater staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: March 3, 1992

Report Signed On: June 12, 1992





# Minnesota Correctional Facility - Stillwater

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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
Carl Otto, CPA	Staff Auditor
Pat Ryan	Staff Auditor

### Exit Conference

The findings and recommendations in this report were discussed with the following staff on March 9, 1992:

#### Minnesota Correctional Facility - Stillwater -

Robert A. Erickson	Warden
Thomas Dowdle	Associate Warden, Operations
Marlene Bastyr	Accounting Director

#### Department of Corrections Central Office -

Peter Maurer	Accounting Director, Institutions
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## Minnesota Correctional Facility - Stillwater

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### Background

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The Minnesota Correctional Facility - Stillwater (MCF-Stillwater) is one of ten correctional facilities operated by the Department of Corrections (DOC). Warden Robert A. Erickson was appointed by the Commissioner of Corrections and is responsible for operations of the prison.

MCF-Stillwater is the receiving facility for all convicted male felons 25 years of age and older. The estimated average daily population at MCF-Stillwater for fiscal year 1991 was approximately 1,343 inmates. The prison population includes inmates from other states and inmates convicted of federal crimes.

In addition to protecting the public, the facility provides academic and vocational education and employment for inmates. Employment opportunities consist of facility maintenance jobs and participation in the prison industry program. The industry operation includes the metal products division, the truck/auto body division, and the contract industries division.

MCF-Stillwater operations are primarily financed through General Fund appropriations made directly to the Department of Corrections, which is responsible for maintaining, controlling, and transferring funds to the appropriate facility accounts. Other funding sources include federal inmate contracts, social welfare deposits, and industries revenue.

Expenditures and revenues for fiscal years 1989-1991 are presented below:

	<u>Year Ended June 30</u>		
	<u>1989</u>	<u>1990</u>	<u>1991</u>
<u>Expenditures</u>			
Employee Payroll	\$16,824,737	\$18,198,691	\$19,306,079
Supplies and Materials	4,648,190	5,537,404	6,281,852
Industries	3,424,136	5,002,024	4,859,365
Social Welfare	2,385,912	2,449,679	2,749,475
Other Expenditures	<u>2,243,935</u>	<u>2,324,783</u>	<u>1,973,699</u>
Total Expenditures	<u>\$29,526,910</u>	<u>\$33,512,581</u>	<u>\$35,170,470</u>
<u>Revenue</u>			
Industries	\$3,781,031	\$5,320,518	\$4,599,044
Social Welfare	2,356,689	2,584,862	2,784,282
Other Revenue	<u>1,220,049</u>	<u>1,295,769</u>	<u>1,428,218</u>
Total Revenue	<u>\$7,357,769</u>	<u>\$9,201,149</u>	<u>\$8,811,544</u>

Source: Statewide Accounting System Managers Financial Report as of September 2, 1989, September 1, 1990, and August 31, 1991; Estimated/Actual Receipts Report as of September 2, 1989, August 31, 1990, and August 31, 1991.