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☞ Details: Legislative Audit Bureau Letter Report May 2007: Employee Credit Unions in Adult Correctional Institutions

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
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- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

Letter Report

**Employee Credit Unions
in Adult Correctional
Institutions**

May 2007



Legislative Audit Bureau

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Legislative Audit Bureau

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Janice Mueller
State Auditor

May 3, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

During the course of a September 2005 financial review of internal controls at the Green Bay Correctional Institution, we became aware of a credit union on its grounds and employing state workers. In 2006, we conducted additional fieldwork to learn more about the operations of this credit union and identified another credit union operating at Waupun Correctional Institution. We assessed whether state resources, including state employee staff time, were being used to conduct credit union business. We did not review the financial condition of each credit union; however, we note that as required by s. 186.235(16), Wis. Stats., each credit union has been subject to regular inspections by the Office of Credit Unions within the Department of Financial Institutions.

The credit unions were incorporated and chartered in 1932, and they continue to serve several hundred members. However, both their location and prison officials' limited knowledge about their operations raise some concern that state resources have been used inappropriately. For example, until we raised the issue, and contrary to Department of Corrections policy, conflict-of-interest forms were not on file for any of the five state employees who are also paid employees of the credit unions. Further, the Waupun credit union is located in the business office, and staff have reported that information on credit union services is sometimes provided during state office hours.

We believe steps should be taken to ensure compliance with the Department's policies concerning outside employment and to establish a clear separation between credit union and state business. It may also be appropriate to consider whether the credit unions should continue to operate under the existing arrangements.

We appreciate the courtesy and cooperation extended to us by staff at the Department of Corrections and at the Office of Credit Unions within the Department of Financial Institutions as we conducted this review.

Sincerely,

Janice Mueller
State Auditor

JM/KW/bm

Enclosure

EMPLOYEE CREDIT UNIONS IN ADULT CORRECTIONAL INSTITUTIONS

Section 186.02, Wis. Stats., allows for the creation and incorporation of credit unions. Credit unions are classified according to their membership, and as of March 2006, 57 Wisconsin credit unions serving postal workers, teachers, university employees, and other government employees were classified as government-chartered. Two of these government chartered credit unions operate on the grounds of state correctional institutions. We reviewed the operation of credit unions at the Green Bay Correctional Institution and the Waupun Correctional Institution to determine whether appropriate procedures and oversight mechanisms were in place to ensure state resources, including state employee staff time, were not being used to conduct credit union business. In conducting our fieldwork, we contacted the institutions' wardens, reviewed publicly available records maintained by the National Credit Union Association (NCUA), and both interviewed the Director of the Office of Credit Unions in Wisconsin and reviewed inspection reports that Office maintains.

Green Bay Correctional Institution Credit Union

The Green Bay Correctional Institution credit union was incorporated and chartered in 1932, is federally insured, and reported assets to the NCUA of \$2.0 million in 2005, when it had approximately 550 members. The Green Bay Correctional Institution credit union is located in a separate basement office in the Green Bay Correctional Institution, with reported hours of operation from 6:30 to 7:55 a.m. This credit union has two paid employees, both of whom are employees of the Department of Corrections. The credit union manager estimated working 25 to 30 hours per week on credit union business. The second employee estimated working only a few hours per week to complete member transactions. Although NCUA records show office operations expenses of \$13,035 for 2005, they showed no office occupancy expenses or rent.

We did not review the financial condition of the credit union. However it is subject by statute to regular inspections by the Office of Credit Unions. At the time of our review, the most recent inspection was completed in February 2005.

Department of Corrections policies require employees to complete conflict-of-interest forms and to secure approval before starting outside employment. Policies also require that a copy of each completed form be kept at the institution. The warden at the Green Bay Correctional Institution indicated the credit union manager had completed the necessary paperwork related to his work at the credit union, but a copy of this documentation could not be provided when we requested it. In April 2006, following the completion of our fieldwork, both employees completed the conflict-of-interest form and received approval from the warden for outside employment by the credit union.

Waupun Correctional Institution Credit Union

*absorbed
by Marine CU
no physical presence*

The Waupun Correctional Institution credit union was incorporated and chartered in 1932, is federally insured, and reported assets to the NCUA of \$3.1 million in 2005, when it had

approximately 620 members. It is located in the business office at the Waupun Correctional Institution. The credit union has three paid employees, all of whom are employees of the Department of Corrections. The president and operations manager of the credit union, the credit union loan officer, and the employee who completes member transactions and quarterly statements estimated working 20 hours per week on credit union business. Although NCUA records show office operations expenses of \$9,044 for 2005, they showed no office occupancy expenses or rent. The reported hours of operation are before 7:45 a.m., during the lunch hour, and after 4:30 p.m., but because the credit union is located within the institution's business office, employees report that they sometimes provide information on credit union services during standard state office hours.

We did not review the financial condition of the credit union. At the time of our review, the most recent state inspection was completed in October 2004.

The warden at Waupun Correctional Institution was aware that the three state employees were affiliated with the credit union located in the business office but unaware that they were paid by the credit union. In April 2006, following the completion of our fieldwork, all three employees completed the required conflict-of-interest form and received approval from the warden for outside employment by the credit union.

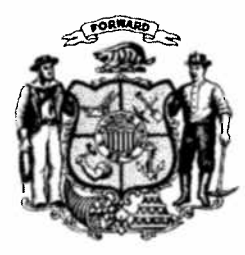
Issues for Future Consideration

We are concerned about noncompliance with the Department of Corrections' policy of reporting outside employment by employees at both institutions, and we believe the potential for inappropriate use of state resources should be minimized. Although the Green Bay and Waupun credit unions provide a convenient service to several hundred members, we note the potential for credit union business to be conducted on state time by state employees, and believe the potential is somewhat greater at Waupun, where the credit union is located in the institution's business office, than at Green Bay. Without significant observation of daily activities or a thorough review of confidential transaction reports, we cannot determine whether that is occurring. We also question the appropriateness of the credit unions' use of state-owned property free-of-charge.

We recommend the Department of Corrections:

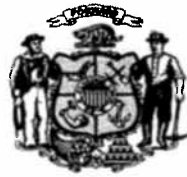
- *require wardens at both the Green Bay Correctional Institution and Waupun Correctional Institution to annually ensure that conflict-of-interest forms are on file for employees who are also employed by the on-site credit unions;*
- *require the wardens to periodically verify credit union business hours and take steps to ensure that credit union business is not conducted on state time;*
- *require the warden at the Waupun Correctional Institution to establish a distinct separation of the on-site credit union from the functions of the institution's business office;*

- require the wardens to review the status and appropriateness of providing space free of charge to the on-site credit unions; and
- report to the Joint Legislative Audit Committee by October 1, 2007, on whether it continues to be appropriate for credit unions to occupy space free-of-charge on state-owned property.



Jim Doyle
Governor

Rick Raemisch
Secretary



State of Wisconsin
Department of Corrections

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October 1, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Legislative Audit Committee
State Capitol
Madison, WI 53703

Dear Senator Sullivan and Rep. Jeskewitz:

RE: Employee Credit Unions in Adult Correctional Institutions

In response to the Legislative Audit Bureau (LAB) report of May 2007 regarding Credit Unions in Adult Correctional Institutions, please be advised that the Department has reviewed its policies and practices relating to the credit unions at Green Bay Correctional Institution (GBCI) and Waupun Correctional Institution (WCI).

Specifically, the report recommended the Department do the following:

- Require wardens at both the Green Bay Correctional Institution and Waupun Correctional Institution to annually ensure that conflict-of-interest forms are on file for employees who are also employed by the on-site credit unions;

Wardens William Pollard at GBCI and Michael Thurmer at WCI have reviewed employee's files to insure that all credit union employees, who are employed by the state have conflict-of-interest forms on file. They will review employee files on an annual basis to ensure these forms are properly filled out by staff employed by both entities.

- require the wardens to periodically verify credit union business hours and take steps to ensure that credit union business is not conducted on state time;

The Wardens have reviewed the hours of operation of the credit unions and they have advised the employees and their supervisors that credit union business is not conducted on state time. Both institutions have posted the credit union hours of operation. GBCI operates from 7:15 AM – 7:55 AM and WCI operates from 7:15 AM – 7:45 AM, 11:45 AM – 12:30 PM and 4:30 PM to 5:00 PM.

- require the warden at Waupun Correctional Institution to establish a distinct separation of the on-site credit union from the functions of the institution's business office;

The credit union at WCI has been moved to a corner of the institution's business office and is separated from the business office by three walls. WCI looked at moving the office outside of the business office but the only space available would have been within the secure perimeter of the institution.

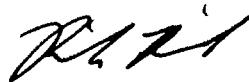
- require the wardens to review the status and appropriateness of providing space free of charge to the on-site credit unions; and
- report to the Joint Legislative Audit Committee by October 1, 2007, on whether it continues to be appropriate for credit unions to occupy space free-of-charge on state-owned property.

The credit unions have operated on the grounds of the Green Bay and Waupun Correctional Institutions since the 1930's without incident. Each credit union has an outside telephone line, and they own the computers, filing cabinets, desks and equipment used in their individual operations. They are both bonded and carry liability insurance in accordance with Chapter 186 of the Wisconsin Statutes and the National Board.

The space provided for the credit unions on state owned property is minimal when compared to the benefit it provides the state employee members who work in a 24-hour, 7-day a week operation. An on-site credit union allows them the flexibility to drop off payments and/or deposits as they come and go from work.

The Department of Corrections and the Wardens of the Green Bay and Waupun Correctional Institutions will continue to monitor the credit union operations to insure that credit union business is not being conducted on state time.

Sincerely,

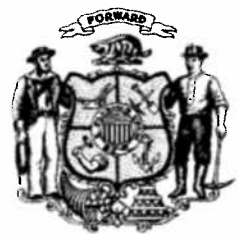


Rick Raemisch,
Secretary

cc: John Bett, DAI Administrator
Warden William Pollard, GBCI
Warden Michael Thurmer, WCI
Janice Mueller, State Auditor LAB



WISCONSIN STATE LEGISLATURE



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Reid Hoff

as far as
D) Wampam credit union still
up & running

- DOC - conflict of int form
up-to-date

- as far as Central Off
4/30/07 is concerned - still running

as of 3/2006

3rd cr. union as

Hospital at Dodge

Bob Margolis

haven't heard
anything
advised

↳ ~~XXXXXXXXXX~~