

Dept. of Corrections: Amounts paid from penitentiary personal service appropriations may be credited against the amount owed by penitentiary for purchases from penitentiary farms.



May 14, 1957

Mr. C R. Hardy
Auditor
Department of Corrections
Jefferson City, Missouri

Dear Sir:

We have received your request for an opinion of this office, which request reads as follows:

"Under Section 41 of House Bill No. 377 of the Sixty-eighth General Assembly there was created a Division of Prison Farms, which, according to the Bill, should be operated under the established Working Capital Revolving Fund with such restrictions as were provided for Prison Industries under the same fund.

"House Bill No. 377 was signed and became a law July 14, 1955, and cash balances were transferred as required.

"Since no appropriations had been made under which the Working Capital Revolving Fund could operate, an opinion was requested of the Attorney General as to how operations might be carried on. The opinion was favorable to operations under the Penitentiary Revolving Fund appropriation, which was made prior to the enactment of House Bill No. 377.

"All classified expenditures have been paid for the factories and farms from appropriations made for the Revolving Fund, with the exceptions of a number of Farms Foremen, General Farmers, and Dairymen.

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"The original appropriation for the Revolving Fund Personal Service, which was requested for the 1955-57 budget, covered only employees for the Industries factories and was not sufficient for payment of the Farms' employees, thus making it necessary to pay Farms and Dairy employees from the Penitentiary Personal Service appropriation.

"All sales made to the Penitentiary by the Division of Farms are carried on the Working Capital Revolving Fund receivables account and paid by cash from the Penitentiary Revenue, Operations.

"Since it is evident that the actual cost of production on the farms is not fully shown, due to the fact that the Farms' employees have not been paid from the Working Capital Revolving Fund, an opinion is respectfully requested as follows:

"Would the Accounting Department of the Penitentiary be permitted to charge against the operations of the various farms and dairies such amounts as have been paid for each farm and dairy by the Penitentiary from the Penitentiary Personal Service account, and credit the receivables account held by the Working Capital Revolving Fund as due from the Penitentiary, thus reducing the amount of payments to be made to the Working Capital Revolving Fund?"

Section 216.191, RSMo, 1955 Supp., which established the Working Capital Revolving Fund for the Department of Corrections, provides, in part, as follows:

"1. The gross or total receipts and income of all industrial and farm operations of the institutions within the department of corrections shall be paid into the state treasury and credited to the 'Working Capital Revolving Fund', which is hereby created.

"2. The working capital revolving fund shall be used only for the establishment, maintenance, rehabilitation, expansion and operation of the prison industrial and farm programs and may be expended for:

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(1) The purchase of raw materials to be manufactured, processed or grown, including seed, fertilizer, farm animals and other necessary adjuncts to successful farm operation;

(2) The purchase, repair and replacement of machinery and equipment;

(3) The erection of new buildings and the repair and improvements of buildings used in such industrial or farm operations;

(4) The payment of inmate labor as provided in section 216.340; and

(5) All other necessary expenses and costs included in the manufacturing, growing, processing, handling and marketing of articles produced and in the operation and administration of the industrial and farm programs of the division.

"3. The divisions of prison industries and prison farms shall, on or before the fifteenth day of each month, make and enter in proper account books for each industry or farm operation a full and accurate account of all moneys received and expended during the preceding month, on what account received or expended, and shall keep proper vouchers therefor, and shall prepare statements for the director of the department of corrections of each industry and farm operation conducted by the division which shall accurately reflect the financial condition and show the profit or loss of each industry and farm operation for the preceding month. At the end of each fiscal year, the divisions shall prepare statements, and submit them to the director of the department, of the financial condition of each industry and farm operation showing the capital assets, current assets including inventory of raw materials, supplies and finished and unfinished products, the amount of sales of articles manufactured, processed

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or grown, the liabilities, including the amount of depreciation charged off, and the operating costs, including the amount actually paid for inmate labor and the profit or loss accrued to each operation. Any profit or surplus earned shall remain in the working capital revolving fund and shall be paid out only as provided by law. Such information shall be for the use of the director and for inclusion in his report to the governor and general assembly as provided in section 216.080."

The above statutory provision clearly indicates an intention on the part of the General Assembly to make the farm and industrial operations at the state penal institutions self-sustaining operations, with the payment of all expenses of such operations from the proceeds thereof. This appears particularly from the fifth subparagraph of Subsection 2, above quoted, wherein the Legislature provided for the payment of administration of the industrial and farm programs of the division from the Working Capital Revolving Fund. This also appears in the third subsection, in which the Legislature has required that the accounts be kept in order to "accurately reflect the financial condition and show the profit or loss of each industry and farm operation." Obviously, if a portion of the cost of the farm operation is being paid other than from the Working Capital Revolving Fund, as is presently the situation, there is no true reflection of the profit and loss from the operation of the farms.

The proposed accounting procedure, referred to in your opinion request, would result in the Working Capital Revolving Fund's being eventually charged with the expenditures presently made from the personal service appropriations for the State Penitentiary and would, in turn, bring about a true picture of the profit or loss from the operation of the farms, a situation which does not presently exist.

Therefore, it appears to us that the proposed accounting procedures would be wholly in accord with the object of the Legislature in establishing the Working Capital Revolving Fund and would more accurately reflect the true picture of the operation of the farms. We find nothing in the law which prohibits the procedure which you propose, and therefore we are of the opinion that the charges to which you have referred would be authorized.

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CONCLUSION

Therefore, it is the opinion of this office that the Accounting Department of the Missouri State Penitentiary may charge against the operations of the various farms and dairies such amounts as have been paid for each farm and dairy by the penitentiary from the penitentiary's personal service account and credit the receivables account held by the Working Capital Revolving Fund as due from the penitentiary, thereby reducing the balance owed by the penitentiary for purchases from prison farms and dairies.

The foregoing opinion, which I hereby approve, was prepared by my Assistant, Robert R. Welborn.

Yours very truly,

JOHN M. DALTON
Attorney General

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