



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit

**Minnesota Office of Strategic and
Long Range Planning**
July 1, 1997, through June 30, 2000



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.

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Dean Barkley, Director
Minnesota Office of Strategic and Long Range Planning

We have audited the financial activities of the Minnesota Office of Strategic and Long Range Planning for the period July 1, 1997, through June 30, 2000. Our audit scope included the department's administrative expenditures, aid to counties, the Land Management Information Center, and the Environmental Quality Board. We highlight the audit objective and conclusions in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government 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 internal controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Minnesota Office of Strategic and Long Range Planning complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Minnesota Office of Strategic and Long Range Planning. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 20, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 19, 2001

Report Signed On: April 16, 2001

Minnesota Office of Strategic and Long Range Planning

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Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Cecile Ferkul, CPA, CISA	Audit Manager
Connie Stein	Auditor-in-Charge
Teresa Anderson	Auditor

Exit Conference

We discussed the findings and recommendations with the following staff of the Minnesota Office of Strategic and Long Range Planning at an exit conference held on March 27, 2001.

Dean Barkley	Director
Marcia Farinacci	Assistant Director

Minnesota Office of Strategic and Long Range Planning

Report Summary

Overall Conclusion:

Generally, the Minnesota Office of Strategic and Long Range Planning (Minnesota Planning) properly safeguarded assets and accurately recorded receipts and expenditures in the state's accounting system. Except as noted below, Minnesota Planning was in compliance with applicable finance-related legal provisions.

Key Finding:

Minnesota Planning inappropriately paid per diems, totaling \$7,535, to four committee members. Minn. Stat. Section 15.059 restricts per diem payments for those committee members who are employees of the state or its political subdivisions. The University of Minnesota employed three of the committee members; a county agency employed the fourth. We recommended that the board should adequately inform committee members and their employers about the statutory limitation on per diem payments and establish a procedure to obtain and monitor committee member employment information to ensure compliance with Minn. Stat. Section 15.059. Also, Minnesota Planning should take action to recover the per diems paid in error and whether committee members need to repay their employers or the state. Committee members need to provide documentation to show that they complied with the statutory requirements. (Finding 1, page 5)

Agency Background:

The Minnesota Office of Strategic and Long Range Planning is responsible for developing an integrated long-range plan for the state, coordinating activities among all levels of government, and stimulating public interest and participation in the future of the state. It acts in coordination with the commissioner of Finance, other state agencies, and the Legislature in planning and financing major public programs. Mr. Dean Barkley is the current director of the office.

Agency Response:

In its response, the Minnesota Office of Strategic and Long Range Planning agreed with the report's finding and is taking corrective action to resolve the issue.

Financial Audit Reports address internal control weaknesses and noncompliance issues found during our audits of state departments and agencies. The agency's response is included in the report.

Minnesota Office of Strategic and Long Range Planning

Chapter 1. Introduction

The Minnesota State Legislature established the Office of Strategic and Long Range Planning (Minnesota Planning) in 1991. Minnesota Planning operates pursuant to Minn. Stat. Chapter 4A. Its primary responsibilities are in developing an integrated long-range plan for the state, coordinating activities among all levels of government, and stimulating public interest and participation in the future of the state. It acts in coordination with the commissioner of Finance, other state agencies, and the Legislature in planning and financing major public programs. The Legislature added to Minnesota Planning's responsibilities when it transferred the duties of the Municipal Board, effective June 1, 1999.

Some of the activities of Minnesota Planning include:

- **Minnesota Land Management Information Center (LMIC)** promotes the use of geographic information and analysis in government. LMIC's services focus on coordination of geographic information technology activities within Minnesota. LMIC also provides staffing for the Governor's Council on Geographic Information Systems.
- **Environmental Quality Board (EQB)** creates long-range plans and reviews proposed projects that would significantly influence Minnesota's environment. Recent reports include *Soundings: A Minnesota Water Plan Assessment*, and *Smart Signals: Economics for Lasting Progress*.
- **Office of the State Demographer** estimates, analyzes, and projects population trends and characteristics and provides information and technical assistance to state agencies, other levels of government, businesses, and the general public. The office operates a help line to provide information and referrals to callers requesting demographic data.

Ann Schluter was the office's director from August 1997 until December 1998. In January 1999, Governor Ventura appointed Dean Barkley to serve as Minnesota Planning's director.

Minnesota Planning receives General Fund appropriations for most of its operations. In addition, the office receives grants and earns revenue from special projects. Table 1-1 provides a summary of Minnesota Planning's General Fund financial activity for the three fiscal years ended June 30, 2000. We discuss Minnesota Planning's operating costs in Chapter 2 and revenues in Chapter 3.

Minnesota Office of Strategic and Long Range Planning

Table 1-1
Summary of General Fund Financial Activity
Fiscal Years 1998 through 2000

	1998	1999	2000
Sources:			
General Fund Appropriations	\$6,188,000	\$5,502,000	\$7,414,000
Appropriation Cancellations	(3,574)	(160,592)	(25)
Balance Forward From Prior Fiscal Year ⁽¹⁾	171,495	1,415,744	0
Transfers In ⁽²⁾	0	50,325	0
General Receipts	<u>143,283</u>	<u>24,101</u>	<u>0</u>
 Total Sources	 <u>\$6,499,204</u>	 <u>\$6,831,578</u>	 <u>\$7,413,975</u>
Uses:			
Payroll	\$3,274,358	\$3,611,848	\$3,935,575
Professional and Technical Services	155,765	1,128,046	241,029
Rental, Maintenance, and Utilities	268,528	308,057	310,976
Aid to Counties	410,711	354,381	0
Travel and Per Diems	53,780	87,241	73,339
All Other Expenditures	<u>920,319</u>	<u>1,342,005</u>	<u>749,491</u>
 Total Uses ⁽³⁾	 <u>\$5,083,461</u>	 <u>\$6,831,578</u>	 <u>\$5,310,410</u>
 Balance Forward to Next Fiscal Year	 <u>\$1,415,743</u>	 <u>\$ 0</u>	 <u>\$2,103,565</u>

(1) Included in the Balance Forward for 1998 is \$15,000 for census activities and \$166,415 in planning operations.

(2) The Legislature transferred the Municipal Board to Minnesota Planning in June 1999.

(3) General Fund expenditures include encumbrances not expended as of February 2001 of \$100,000, \$365,106, and \$138,296 for fiscal years 1998, 1999, and 2000, respectively.

Source: Minnesota Accounting and Procurement System from July 1, 1998, to June 30, 2000.

Chapter 2. Payroll and Other Expenditures

Chapter Conclusions

Minnesota Planning processed payroll in accordance with applicable bargaining unit agreements and properly recorded payroll transactions in the accounting system. Payments for rent, professional and technical services, travel, and aid to counties were reasonable, properly recorded in the state's accounting system, and were in compliance with applicable finance-related legal provisions.

However, Minnesota Planning may have inappropriately paid per diems to four board members.

Payroll

Minnesota Planning's main operating cost is payroll. Minnesota Planning used the state's payroll system to make bi-weekly payments to approximately 80 staff. Annual payroll averaged about \$3,600,000.

Our audit scope included payroll disbursements made to Minnesota Planning employees for the three years ended June 30, 2000. Our audit objectives for payroll focused on the following questions:

- Did Minnesota Planning process payroll expenditures in accordance with applicable bargaining unit agreements?
- Did Minnesota Planning verify that it accurately recorded authorized payroll transactions in the state's accounting system?

We interviewed agency staff to gain an understanding of the controls in place over payroll. We analyzed payroll expenditures and tested detailed transactions.

Minnesota Planning properly paid its employees according to the applicable bargaining unit agreements and properly recorded the payroll transactions on the state's accounting system. Minnesota Planning correctly calculated severance payments to eligible employees.

Other Expenditures

Minnesota Planning contracted for rent of their office and storage in the Centennial Building. They contracted for professional and technical services for special projects, such as the Generic

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Environmental Impact Statement on Animal Agriculture. Also, Minnesota Planning awarded \$750,000 to qualifying counties pursuant to the Community-based Planning Act.

We focused our review of rent, professional/technical services, and aid to counties on the following objectives:

- Were these expenditures reasonable and properly recorded in the state's accounting system?
- Did these expenditures comply with applicable finance-related legal provisions?

We interviewed Minnesota Planning staff to gain an understanding of the controls in place over contracting and processing of payments. We also conducted analytical tests and selected sample expenditure transactions for additional testing.

Minnesota Planning properly recorded rent, professional/technical services, and aid to counties expenditures in the state's accounting system. Minnesota Planning expended funds in accordance with applicable finance-related laws and policies.

Travel and Per Diem Expenditures

Minnesota Planning provided board and committee members and staff with reimbursements for travel costs incurred while performing planning related activities. Minn. Stat. Section 15.059, which governs committee members' compensation, also allows committee members to receive per diems, subject to certain restrictions. Travel and per diems averaged \$81,000 a year during the audit period. We addressed the following objectives in our review of travel and per diems:

- Did Minnesota Planning properly approve and pay per diem and travel expenditures?
- Were expenditures reasonable and within the bargaining agreement limits?

We gained an understanding of the controls over per diem and travel expenditures through interviews with Minnesota Planning staff. We also conducted analytical tests and selected sample expenditure transactions for additional testing. We tested whether per diem payments to committee members complied with Minn. Stat. Section 15.059, Subd. 3.

Generally, Minnesota Planning properly approved and paid travel and per diem expenditures. Except as explained in Finding 1, these expenditures were reasonable and were within the bargaining agreement limits.

1. Minnesota Planning inappropriately paid per diems to four committee members.

Minnesota Planning inappropriately paid per diems totaling \$7,535 to four committee members. Minn. Stat. Section 15.059, which governs compensation for advisory councils and committees, restricts per diem payments for those committee members who are employees of the state or its political subdivisions. Minnesota Planning paid per diem to three committee members who were

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employees of the University of Minnesota and one committee member who was a county employee. The employers did not deduct the per diem payments from the committee members' compensation.

The statute prohibits per diem payments if the major part of the committee activities occurred during normal working hours and if the employer also compensated the committee member for that time. However, if the employer deducted the per diem from the employee's compensation then the per diem payment was allowable. Since Minnesota Planning did not adequately inform committee members of the statutory restriction or have a process to gather information on committee members' employment status, it paid per diems in error. Minnesota Planning also did not notify employers of the statutory restrictions so that the employers could take action to deduct the per diem payments.

Recommendations

- *Minnesota Planning should adequately inform committee members and their employers about the statutory limitation on per diem payments.*
- *Minnesota Planning should establish a procedure to obtain and monitor committee member employment information to ensure compliance with Minn. Stat. Section 15.059. Committee members need to provide documentation to show that they complied with the statutory requirements.*
- *Minnesota Planning should take action to recover the per diems paid in error.*

Chapter 3. Revenue Programs

Chapter Conclusions

Minnesota Planning collected and deposited the appropriate amount of revenue. Minnesota Planning adequately safeguarded and properly recorded the receipts in the state's accounting system.

Minnesota Planning receives grants to support various programs. The office also conducts special projects for interested parties and charges them for the work performed. Minnesota Planning deposits the revenue received for special projects into accounts designated to fund those projects.

Land Management Information Center (LMIC)

The Land Management Information Center's mission is to serve Minnesota through the effective use of geographic information to support public policy and government operations. LMIC receives an appropriation from the Legislature to support its core services related to coordination of geographic information system activities and distribution of geographic information.

The LMIC service bureau also provided specialized services at the request of other state agencies, other governments, and the general public. These services included consulting, conducting projects, and providing data distribution and computerized information services. LMIC charged for the direct and indirect costs of providing these specialized services. LMIC established unique account numbers to properly account for the costs and ensure accurate billing and collection records. Employees maintained secondary timesheets to monitor the time spent on specific projects. They then multiplied the actual payroll costs by an overhead rate to ensure reimbursement of various indirect costs, such as rent and supplies. LMIC revenue typically averaged \$493,000 a year during the audit period. During fiscal year 1999, LMIC also received \$500,000 for a special project conducted by the Environmental Quality Board.

LMIC also sells and provides technical support for a software package it developed call EPPL7. EPPL7 is a spatial data analysis software package that provides users with the ability to construct complex maps.

Environmental Quality Board (EQB)

The Environmental Quality Board helps ensure compliance with state environmental policy, manages the environmental review process, coordinates environmental agencies and programs, studies environmental issues, and advises the Governor and Legislature. The board consists of 15 members, including five public members appointed by the Governor, and various

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commissioners from state agencies that play a vital role in Minnesota's environment and development. Minnesota Planning provides staff to the board to administer and implement various environmental initiatives. EQB assesses utility companies for the general services it provides and charges fees for the specific certifications, permits, and special studies it performs. EQB revenues averaged \$220,000 a year during the audit period.

Scope and Objectives

We focused our review of commission receipts on the following objectives:

- Did Minnesota Planning collect and deposit the appropriate amount of Land Management Information Center and Environmental Quality Board revenue?
- Did Minnesota Planning adequately safeguard and properly record the receipts in the state's accounting system?

Audit Methodology and Conclusions

We interviewed Minnesota Planning staff to gain an understanding of the controls in place over the processing of receipts. We also performed analytical tests and selected samples of transactions for detailed audit tests.

Minnesota Planning collected the appropriate amount of Land Management Information Center and Environmental Quality Board revenue. Minnesota Planning adequately safeguarded and properly deposited the receipts in the state treasury.

**Status of Prior Audit Issues
As of February 19, 2001**

Most Recent Audit Report 98-33, issued in May 1998, examined the Minnesota Office of Strategic and Long Range Planning's activities for fiscal years 1996 and 1997. The audit scope included a review of the Land Management Information Center, Environmental Quality Board, and Children's Initiative programs revenues. It also included a review of payroll, rent, purchased services, and supply expenditures.

We concluded that Minnesota Planning designed and implemented internal controls to provide reasonable assurance that it adequately safeguarded and accurately reported its financial activity in the state's accounting system. We also found that Minnesota Planning generally complied with applicable statutory provisions. However, the Environmental Quality Board did not recover indirect costs in its assessments or fees for work performed. As part of our current review, we concluded that the Environmental Quality Board revised its billing formula and is recovering indirect costs.

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, commissions, commissions, and Minnesota State colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the metropolitan agencies, or the State Agricultural Society, the state constitutional officers, or the judicial branch.



April 12, 2001

James R. Nobles
Legislative Auditor
Room 140
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your report on the recent audit of the Office of Strategic and Long-Range Planning.

As recommended, we have taken steps to ensure that compensation for members of the Environmental Quality Board and other agency citizen advisory committees is fully compliant with provisions of Minnesota Statutes, section 15.059. We have added the statutory language to the printed information issued to new board and advisory committee members and instructed staff to obtain employment information for all current and future appointees.

When new members who are employees of political subdivisions of the state are appointed to serve on the Environmental Quality Board or any agency citizen advisory committee, we will inform their employers, in writing, of the limitations on compensation and obtain documentation from both employer and employee acknowledging understanding of the provisions of section 15.059. If the employer asks that per diem be paid, with an accompanying deduction in the employee's salary, we will require that this request be submitted in writing, with follow up documentation to demonstrate that the deduction has occurred. Assistant Director Marcia Farinacci will be responsible for ensuring that these policies are implemented.

We have determined that per diems were indeed paid in error to four individuals and we will take steps to recover these funds. George Johnson and Mark Haveman, project managers for the generic environmental impact statement studies on animal agriculture and urban development, respectively, will work with our accounting supervisor, Don Broen, to reclaim the payments.

Room 300
658 Cedar St.
St. Paul, MN 55155

Telephone:
651-296-3985

Facsimile:
651-296-3698

TTY:
800-627-3529

www.mn.plan.state.mn.us

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We very much appreciated the courtesy and professionalism with which your staff conducted their work at the Office of Strategic and Long-Range Planning.

Sincerely,

/s/ Dean Barkley

Dean Barkley
Director