



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial-Related Audit

**Peace Officer Standards and
Training Board**

July 1, 1997, through June 30, 2000



Financial Audit Division

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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. Neil W. Melton, Executive Director
Peace Officer Standards and Training Board

Members of the Peace Officer Standards and Training Board

We have audited the Peace Officer Standards and Training Board for the period July 1, 1997, through June 30, 2000, as further explained in Chapter 1. Our audit scope included: financial management, grants, board per diem and payroll costs, and licensing and exam fee revenues.

We conducted our audit in accordance with generally accepted 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 management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the Peace Officer Standards and Training Board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the Peace Officer Standards and Training Board 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 Peace Officer Standards and Training Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 17, 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 22, 2001

Report Signed On: May 14, 2001

Peace Officer Standards and Training Board

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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
Brad White, CPA, CISA	Audit Manager
Charlie Gill	Auditor-in-Charge

Exit Conference

The following staff from the Peace Officer Standards and Training Board participated in the exit conference held on April 30, 2001:

Neil Melton	Executive Director
Mary Bjornberg	Assistant Director
Terry Sandbeck	Office Supervisor
Dan Glass	Licensing and Testing Coordinator
Dan Boytim	Accounting Officer, Department of Public Safety

Peace Officer Standards and Training Board

Report Summary

Conclusions:

The Peace Officer Standards and Training (POST) Board operated within its appropriated legal spending authority. The board's internal controls provided reasonable assurance that assets were safeguarded, revenues and expenditures were accurately recorded in the state's accounting and payroll systems, and financial transactions were in compliance with applicable finance-related legal requirements and management's authorization. However, we noted the following compliance issue and internal control weakness during our review.

Key Findings:

- The POST Board's appropriated operating activities were set up in the state's accounting system in the same peace officer training account used to accumulate surcharge revenues. As a result, unexpended operating appropriations have continued to carry forward and did not cancel. At the end of fiscal year 1999, the board had accumulated and carried forward \$262,567 into fiscal year 2000. This included \$41,028 of unused grant and project appropriations from 1998 and 1999. While the POST Board has never increased its spending authority above that set by the Legislature for each fiscal year, the availability of this money could permit it to occur. We recommended that the board work with the Department of Finance to establish an appropriation account providing for carry forward of funds between fiscal years and cancellation of unexpended balances at the end of the biennium. The POST Board should also work with the Department of Finance to cancel its unexpended appropriations and transfer the money to a separate account making it unavailable for board spending until appropriated Legislative clarification is needed regarding the treatment of unexpended funds. (Finding 1, Page 7)
- The board also needs to improve control over license revenues and access to its licensing system. We recommended a comparison of licenses issued to revenues collected and restricted security access to its licensing system. (Finding 2, Page 14)

Background:

The Peace Officer Standards and Training (POST) Board is responsible for licensing and training peace officers in Minnesota. The board is funded by appropriations from the peace officer training account in the Special Revenue Fund. The account receives its revenues from surcharges on criminal offenses and selected traffic fines. The board received appropriations of \$3,581,000, \$3,801,000, and \$4,339,000 for fiscal years 1998, 1999, and 2000, respectively. It also received General Fund appropriations of \$148,000 in fiscal year 1998 and \$300,000 in fiscal year 2000. The board's money is primarily used to provide grants to local law enforcement offices for peace officer training and education.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work at the Peace Officer Standards and Training Board included financial management, grants, payroll and board per diems, and licensing and exam receipts. The board's response is included in the report.

Peace Officer Standards and Training Board

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Peace Officer Standards and Training Board

Chapter 1. Introduction

The Peace Officer Standards and Training (POST) Board was established in 1978. The board is composed of the superintendent of the Bureau of Criminal Apprehension and 14 members appointed by the Governor. John Laux was appointed executive director in January 1995 and served until July 7, 1998. Claudia Ahrens was appointed interim director on July 23, 1998. Neil W. Melton, the current executive director, was appointed on November 7, 1998. The board operates under the authority of Minn. Stat. Sections 626.84 to 626.863. The board is responsible for:

- licensing peace officers in Minnesota,
- determining selection standards,
- determining standards of professional conduct,
- regulating training and educational requirements for peace officers, and
- investigating allegations of professional misconduct.

The board is funded by an appropriation from the peace officer training account in the Special Revenue Fund. The training account revenues are derived from surcharges on criminal offenses and selected traffic fines. The board was appropriated \$3,581,000, \$3,801,000, and \$4,339,000 for fiscal years 1998, 1999, and 2000, respectively. The State Treasurer's Office and Department of Finance are responsible to ensure any collections in excess of the appropriated levels are cancelled back to the General Fund as required by law. In addition to the special revenue appropriations laws for 1998, Chapter 367, Art. 1, Sec. 10 appropriated \$148,000 from the General Fund to pay for board legal costs for settlement and release of a wrongful discharge claim. Laws for 1999, Chapter 216, Art. 1, Sec. 11 also provided a General Fund appropriation of \$300,000 to reimburse local law enforcement agencies for the costs of providing training on emergency vehicle operations and police pursuit.

Table 1-1 shows a breakdown of the board's expenditures (by type) for the three-year audit period.

Table 1-1
Summary of Expenditures
Fiscal Years 1998, 1999, and 2000

<u>Expenditure Type</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
Grants	\$2,524,000	\$2,730,891	\$3,653,000
Payroll and Per Diems	683,301	605,221	680,218
Other Administrative Costs	433,783	448,736	233,998
Total	<u>\$3,641,084</u>	<u>\$3,784,848</u>	<u>\$4,567,216</u>

Source: Minnesota Accounting and Procurement System (MAPS), fiscal years 1998, 1999, and 2000, as of September 8, 2000.

Peace Officer Standards and Training Board

The POST Board also collected peace officer license receipts of \$988,409 and exam fees of \$274,070 during our three-year audit period. These receipts were deposited as nondedicated revenue in the state's General Fund and were not available for board operations.

The Department of Public Safety provided administrative support for the board. Services provided by the department include expenditure processing, budget development and assistance, and personnel services. Although the Department of Public Safety provided administrative support, the decision-making authority and responsibility remained with the POST Board.

During our fieldwork, the Department of Finance was finalizing an internal audit of the Peace Officer Standards and Training Board's financial operations. The board was working with the department to resolve some observations and concerns raised during that audit review.

Chapter 2. Financial Management

Chapter Conclusions

The POST Board operated within its appropriated legal spending authority. However, we found that the board's appropriated operating activities were set up in the state's accounting system in the same peace officer training account used to accumulate surcharge revenues. As a result, unobligated and unexpended appropriations in the board's operating account have continued to carry forward and did not automatically cancel at the end of the biennium. The board carried forward \$262,567 from fiscal year 1999 to fiscal year 2000. The POST Board has never increased its spending authority above the amount set by the Legislature for each fiscal year. However, because of the accounting system structure, the board could spend more than the amount appropriated. We suggested that the POST Board work with the Department of Finance to establish an appropriation account that provides for carry forward of funds between fiscal years and cancellation of unexpended balances at the end of the biennium. The POST Board should also work with the Department of Finance to cancel its unexpended Special Revenue Fund appropriations and transfer the money to a separate account making it unavailable for board spending until appropriated. The agencies should seek legislative clarification regarding the treatment of the unexpended funds.

The POST Board received appropriations from the peace officer training account in the Special Revenue Fund. Pursuant to law, collections in excess of the POST Board appropriation level must be transferred and credited to the General Fund.

The Office of the State Treasurer is responsible for the collection of surcharge revenues on all moving traffic violations from the local courts and the transfer of funds into the peace officer training account in the Special Revenue Fund. The State Treasurer is also responsible for canceling any excess collections back to the General Fund. For fiscal year 1999, however, the State Treasurer did not cancel \$1.6 million of excess collections until June 2000. This concern was reported in our audit of the State Treasurer, *Legislative Audit Report 01-12*.

The Department of Finance established a single account within the accounting system to accumulate the State Treasurer transfers into the peace officer training account. The account was coded with an appropriation type that allows unused funds to carry forward indefinitely. In addition, the same appropriation account was used to handle the administrative finances of the POST Board operations. The board must adhere to the annual spending limits specified in the appropriation laws subject to Minn. Stat. Section 16A.28. Each year, grant money was transferred out of the administrative account to create separate grant appropriation control accounts.

Peace Officer Standards and Training Board

Table 2-1 compares the POST Board appropriations and expenditures for the three-year audit period.

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>
POST Board Appropriations:			
Special Revenue Fund – Operating	\$3,551,000	\$3,489,000	\$4,339,000
Special Revenue Fund – Specific Projects	30,000	312,000	0
General Fund – Specific Grants	<u>148,000</u>	<u>0</u>	<u>300,000</u>
Total Appropriations	<u>\$3,729,000</u>	<u>\$3,801,000</u>	<u>\$4,639,000</u>
Expenditures	<u>\$3,641,084</u>	<u>\$3,784,848</u>	<u>\$4,567,216</u>
Unexpended Appropriations	<u>\$ 87,916</u>	<u>\$ 16,152</u>	<u>\$ 71,784</u>

Source: State of Minnesota Appropriations Laws for 1997, Ch. 239, Art. 1, Sec. 9; Appropriation Laws for 1998, Ch. 367, Art. 1, Sec. 10; Appropriation Laws for 1999, Ch. 216, Art. 1, Sec. 11; and the MAPS accounting system for fiscal years 1998, 1999, and 2000 as of September 8, 2000.

The POST Board created separate grant appropriation accounts in the Minnesota Accounting and Procurement System (MAPS) to distinguish grant expenditures from their regular administrative operating activity. Grant appropriation money was transferred out of the operating account into separate grant accounts. Two separate grant accounts were established; one for local law enforcement continuing education reimbursements and another for specific projects and grants, as discussed in Chapter 3.

Audit Objective and Methodology

Our review of financial management of the POST Board focused on the following objective:

- Did POST Board controls provide reasonable assurance that it operated and expended funds within its appropriated legal spending limits?

To meet this objective, we interviewed POST Board, Department of Public Safety, and Department of Finance employees to gain an understanding of the financing of board operations. We analyzed MAPS accounting activities to determine if spending occurred within the levels appropriated by the Legislature.

Conclusions

As shown in Table 2-1, the POST Board operated within its appropriated legal spending authority. However, we found that the board's appropriated operating activities were set up in the same peace officer training account used to accumulate surcharge revenues. As a result, unobligated and unexpended appropriations in the board's operating and administrative account have continued to carry forward and did not automatically cancel at the end of the biennium.

Peace Officer Standards and Training Board

The board carried forward \$262,567 from fiscal year 1999 to fiscal year 2000. The POST Board has never increased its spending authority above the amount set by the Legislature for each fiscal year. However, because of the accounting system structure, the board could spend more than the amount appropriated. We suggested that the POST Board work with the Department of Finance to establish an appropriation account that provides for carry forward of funds between fiscal years and cancellation of unexpended balances at the end of the biennium. The POST Board should also work with the Department of Finance to cancel its unexpended Special Revenue Fund appropriations and transfer the money to a separate account making it unavailable for board spending until appropriated. The agencies should seek legislative clarification of the unexpended funds.

1. Unexpended POST Board appropriations were carried forward and not appropriately cancelled.

Our analysis of the state's accounting system revealed that the board's appropriated spending activity is in an account that allows unexpended money to carry forward indefinitely. As a result, the POST Board had accumulated and carried forward unexpended balances over the past several years. At the end of fiscal year 1999, the board carried forward \$262,567 into fiscal year 2000. We feel that the board's financial activities should be accounted for in the accounting system with an appropriation account that cancels unobligated and unexpended money at the end of the biennium. The availability of the unexpended appropriations could allow the board's annual spending to exceed the amount set by the Legislature.

The state's accounting system is designed to automatically control appropriations for executive branch boards and agencies. However, we found that the POST Board's appropriated spending activity occurs in the same account that is used by the State Treasurer's Office to accumulate excess surcharge collections above the POST Board appropriations. This account does not cancel and, after removing surcharge activities, the POST Board has carried forward balances ranging from \$262,567 to \$331,317 during the past three fiscal years.

The accumulated unexpended board appropriations included unused grant and project funds of \$41,028. We feel these unexpended grants should have also been cancelled. The grant appropriations were no longer needed for the specified legal purpose. Attempts to cancel funding were made which, in essence, transferred the unused money into the board's administrative account, which continued to carry forward in the accounting system.

The POST Board, like other executive branch agencies, is subject to Minn. Stat. Section 16A.28 governing the treatment of unused appropriations. Subdivision 1 allows the carry forward of unexpended funds from the first to the second year of the biennium. Subdivision 3 further provides that remaining unexpended and unencumbered balances should lapse. Barring explicit carry forward authority in the appropriation laws, unused appropriations should be cancelled at the end of the biennium.

As discussed in Chapter 1, the Legislature created the peace officer training account in the Special Revenue Fund to fund board operations. It required that excess surcharge revenue above

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the board's appropriation should cancel to the General Fund. However, the appropriation laws did not specify treatment of unexpended and unobligated appropriations. The board, in conjunction with the Department of Finance, should seek legislative clarification of the treatment of unexpended funds. Meanwhile, they should work with the Department of Finance to transfer the money into a separate peace officer training account in the state's accounting system.

Recommendations

- *The POST Board should work with the Department of Finance to establish an appropriation account in the accounting system that provides carry forward of funds between fiscal years but cancellation at the end of the biennium.*
- *The board should work with the Department of Finance to cancel its accumulated unexpended appropriations and transfer the money to a separate account until appropriated. The agencies should also seek legislative clarification on the treatment of unexpended funds.*

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Chapter 3. Grants

Chapter Conclusions

The Peace Officer Standards and Training Board's internal controls provided reasonable assurance that grants were accurately paid, properly recorded in the state's accounting system, and processed in accordance with management's authorization. For the items tested, the board complied with material finance-related legal provisions. However, we determined that unused grant and project appropriations of \$41,028 from 1998 and 1999 were not properly cancelled. As discussed in Finding 1, the money was transferred into the board's operating account, which continued to carry forward the balance into subsequent fiscal years.

The board grants money to local law enforcement agencies for various purposes. Grants are the largest expenditure of the board. The most significant portion of grant funds is used to reimburse local law enforcement agencies for continuing education costs. The board also provides grants to cover the costs of students who have been given conditional offers of employment and are enrolled in a professional peace officer program. Local law enforcement agencies submit applications to the board for review, and board staff determine and approve the grant payment amounts. The board spent \$2,524,000, \$2,730,891, and \$3,653,000 on grants during fiscal years 1998, 1999, and 2000, respectively. Grant funding increased in fiscal year 2000 to restore POST Board funding of local jurisdiction activities at higher education institutions. This funding was provided directly to the Minnesota State Colleges and Universities during fiscal years 1998 and 1999.

Laws of Minnesota for 1997, Chapter 239, Art. 1, Sec. 9, also provided board funding for several specific grant and project appropriations from the peace officer training account. The specific appropriations were provided to fund DARE officer training, minority recruitment, administrative law judge costs, consultant development of a candidate screening exam, computer training and support, and to establish a law enforcement library at Metropolitan State University. Table 3-1 shows the appropriation amounts and unexpended balances of these specific grants and projects.

Table 3-1
Specific Grant and Project Appropriations

<u>Purpose:</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>Unexpended Balances</u>
DARE Officer Training	\$30,000	\$ 30,000	\$ 9,075
Minority Recruiter	0	16,000	0
Consultant Screening Exam	0	25,000	0
Computer Training	0	10,000	129
Administrative Law Judge	0	30,000	28,790
Library at Metropolitan State University	0	100,000	3,034
Local Reimbursement Increase	0	101,000	0

Source: Laws of Minnesota for 1997, Chapter 239, Article 1, Section 9.

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Audit Objectives and Methodology

Our review of POST Board grants focused on the following objectives:

- Did the board's internal controls provide reasonable assurance that grants and projects were accurately made in accordance with management's authorization and properly recorded in the state's accounting system?
- Did the board's grant expenditures comply with material finance-related legal provisions and the intent of specific grant and project appropriations?

To answer these questions, we interviewed POST Board and Department of Public Safety personnel to gain an understanding of the internal control structure over grant expenditures. We tested grant payments for accuracy, management authorization, and proper recording in the state's accounting records. We reviewed board compliance with material finance-related legal provisions, such as board policies and appropriation laws, governing the continuing education grants and special grant and project appropriations.

Conclusions

The Peace Officer Standards and Training Board's internal controls provided reasonable assurance that grants and special projects were accurately paid, properly recorded in the state's accounting system, and processed in accordance with management's authorization. For the items tested, the board complied with material finance-related legal provisions. However, we determined that unused grant and project appropriations of \$41,028 from 1998 and 1999 were not properly cancelled. As discussed in Finding 1, the money was transferred into the board's operating account, which continued to accumulate and carry forward into subsequent fiscal years.

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Chapter 4. Payroll

Chapter Conclusions

The POST Board's internal controls provided reasonable assurance that employees were accurately compensated and board members were properly paid in compliance with applicable legal provisions and management's authorization, and that payroll expenditures were accurately reported in the accounting records. For the items tested, the board complied with material finance-related legal provisions, including employee collective bargaining contracts, personnel plans, and per diem statutes.

The Peace Officer Standards and Training Board has 16 full and part-time employees. Staff are responsible for board functions relating to the licensing and training of peace officers. The board utilizes the state's human resource and payroll system, the State Employee Management System (SEMA4). It spent \$683,301, \$605,221, and \$680,218 for payroll and fringe benefit costs in fiscal years 1998, 1999, and 2000, respectively.

The board paid per diems to its board members pursuant to Minn. Stat. Section 214.09, subd. 3. Members were compensated \$55 for each day spent on board activities plus any eligible expense reimbursements. The board spent \$2,530, \$2,145, and \$2,525 for per diem payments to board members during fiscal years 1998, 1999, and 2000, respectively.

Audit Objectives and Methodology

We focused our review of POST Board payroll on the following objectives:

- Did the board's internal controls provide reasonable assurance that employees were compensated in compliance with applicable bargaining unit agreements, personnel plans, and management's authorization, and that payroll expenditures were accurately reported in the accounting records?
- Did the board's payroll and per diem transactions comply with applicable collective bargaining contracts, personnel plans, and per diem statutes?

To meet these objectives, we interviewed POST Board and Department of Public Safety employees to gain an understanding of the payroll and per diem payment process. We tested SEMA4 payroll transactions to determine if the board properly authorized, processed, and recorded the transactions in compliance with applicable legal provisions governing payroll and per diems.

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Conclusions

The Peace Officer Standards and Training Board's internal controls provided reasonable assurance that employees were accurately compensated, board members were properly paid in compliance with applicable legal provisions and management's authorization, and payroll expenditures were accurately reported in the accounting records. For the items tested, the board complied with material finance-related legal provisions, including employee collective bargaining contracts, personnel plans, and per diem laws.

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Chapter 5. Licensing and Exam Revenues

Chapter Conclusions

The POST Board's internal controls provided reasonable assurance that monies collected were accurately and promptly deposited, and that receipts were properly recorded on the state's accounting system. However, we noted that internal controls do not provide management with the assurance that license revenues reconcile to the number of licenses issued. We also think that the board could better restrict access to its licensing system database.

Recommendations are made to improve security access to the licensing system and reconcile licenses issued to collections. For the items tested, the POST Board complied with material finance-related legal provisions, including license rates, exam fees, and prompt deposit of receipts.

The Peace Officer Standards and Training Board is responsible for administering peace officer examinations and issuing licenses to peace officers. As of June 30, 2000, there were approximately 9,300 licensed full-time and part-time peace officers in the state that are required to renew their licenses every three years. Licenses are issued once all board requirements are met and the fee is received. The board also receives exam applications and fees from candidates. Table 5-1 shows the license and exam revenues during the past three fiscal years.

Table 5-1
License and Exam Revenues
Fiscal Years 1998 to 2000

	<u>1998</u>	<u>1999</u>	<u>2000</u>
License Fees	\$286,463	\$317,473	\$384,473
Exam Fees	53,940	100,635	119,495
Total	<u>\$340,403</u>	<u>\$418,108</u>	<u>\$503,968</u>

Note: License and exam receipts were deposited as nondedicated revenue in the state's General Fund and were not available for board operations.

Source: MAPS accounting system for fiscal years 1998, 1999, and 2000 as of September 8, 2000.

Minn. Stat. Section 16A.1285 requires that fees be reasonably established to avoid significant over or under recovery of costs. As a result, the board substantially increased its license fee renewal from \$15 to \$90 effective for fiscal year 1998. Exam fees were raised from \$40 to \$105. These adjustments were the first fee increases by the board since 1984. The new rates established by the board comply with Minn. Stat. Section 16A.1285.

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Audit Objectives and Methodology

Our review of POST board license and exam fees focused on the following objectives:

- Did the board's internal controls provide reasonable assurance that license and examination receipts were properly collected, safeguarded, and accurately reported in the accounting records?
- Did the board comply with material finance-related legal provisions governing license and examination revenues?

To meet these objectives, we interviewed board and Department of Public Safety employees to gain an understanding of the internal control structure over receipt collections. We tested receipt transactions to determine if the board properly safeguarded, authorized, processed, and recorded its revenues. We also reviewed receipts to determine if the board complied with material finance-related legal provisions, such as approved rates and prompt deposit of receipts.

Conclusions

The Peace Officer Standards and Training Board's internal controls provided reasonable assurance that monies collected were accurately and promptly deposited, and that receipts were properly recorded on the state's accounting system. However, we noted that internal controls do not provide management with the assurance that license revenues agree with the number of licenses issued. We also felt that the board could do a better job of restricting access to its licensing system database. Recommendations are made to improve security access to the licensing system and reconcile licenses issued to collections. For the items tested, the POST Board complied with material finance-related legal provisions such as authorized rates and prompt deposit of receipts.

2. PRIOR FINDING NOT RESOLVED: The POST Board needs to restrict access to its licensing system and reconcile licenses issued to collections.

The board had two weaknesses with its internal controls over license revenues. First, the board did not effectively limit employee access to the licensing system. Second, the board did not ensure that receipts were collected for all licenses issued. We found no errors or irregularities in our testing; however, these weaknesses increase the risk they could occur and go undetected.

The board did not adequately restrict access to the License Manager System. It appears that generally all POST Board employees have broad access to update the licensing system database. Several staff have no job responsibilities requiring access to update data. These staff could potentially issue a license or post receipt of funds without a corresponding collection. An essential control feature for any computerized system is that employee access should be restricted to the minimum level needed to fulfill job responsibilities.

Peace Officer Standards and Training Board

We also found that board procedures did not ensure that it collected fees for all licenses issued. Peace officers must renew their licenses every three years. Receipt information is entered into the licensing system prior to licenses being issued. However, there is no reconciliation of licenses issued during a given period to receipts collected by the board. Effective controls over the licensing system would include a periodic comparison of renewals and new licenses issued to receipts to assure completeness of license collections.

Recommendations

- *The POST Board should restrict employee access to update the licensing system to the minimum level necessary to fulfill job responsibilities.*
- *The board should periodically reconcile licenses issued to receipts collected.*

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Status of Prior Audit Issues As of February 21, 2001

Most Recent Audit

April 1998, Legislative Audit Report 98-29 covered the two fiscal years ending June 30, 1997. The audit focused on the internal control structure over payroll, grants, and license fees, as well as testing for compliance with finance-related legal provisions.

The report cited three audit findings. The board resolved one finding concerning the need for independent review of the biweekly SEMA4 payroll reports. A second finding involved the need to strengthen controls over collecting and depositing of license and examination receipts. We found that the board improved controls to ensure that receipt collections are accurately and promptly deposited. The third report finding concerned the need for increased assurances that all earned revenues from licenses issued are collected. We continue to find that the board does not reconcile the number of licenses issued to fee revenues received. We also found the board does not adequately restrict employee access to its licensing database. These concerns were repeated in Finding 1 of the current audit report.

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

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James Nobles, Legislative Auditor
Office of the Legislative Auditor
State of Minnesota
658 Cedar St.
St. Paul MN 55155

May 7, 2001

Dear Mr. Nobles:

This is a response to the draft of the audit report summarizing the audit work your staff performed for the three fiscal years ending June 30, 2000.

We concur with the findings of the report and are confident that we can implement the recommendations provided.

Mary Bjornberg, Assistant Director of the POST Board will be responsible for ensuring that compliance with all recommendations is made. The projected date of completion for each of the items mentioned in the report is noted below.

The chapters of the report containing recommendations requiring a response were as follows:

Chapter Two, Financial Management

The board is already working with our financial officer at the Department of Public Safety to make sure these recommendations are immediately implemented.

Chapter Three, Grants

There were no recommendations

Chapter Four, Payroll

There were no recommendations

Chapter Five, Licensing and Exam Revenues

There were two recommendations that we are prepared to address.

- 1) The board is reevaluating the security partitions in place between the various workstations on our network. Our staff Information Technologies person will implement better security partitions once we have completed this evaluation. This problem will be corrected by June 1, 2001.

- 2) In regard to periodically reconciling licenses issued to receipts collected, we fully understand why this is necessary and intend to comply as fully as we can. We have already begun a system to reconcile licenses issued with payments received.

The more difficult question has been finding a workable means for reconciling renewed licenses with payments received, because the time interval between payment of the renewal fee and actual issuance of the renewed license is often months apart and the renewed license cannot be issued until additional requirements are met present technical problems that we are working to resolve. Beginning July 1, 2001, the board will initiate the use of a different spreadsheet code for renewed licenses. This will make tracking of renewed licenses more readily distinguishable from other types of fee and license payments. It will then be possible for us to compare payments of license renewal fees with the number of licenses renewed each year.

We feel that the findings were accurate and fair, and we will comply with your recommendations as note.

Sincerely,

/s/ Neil W. Melton

Neil W. Melton
Executive Director