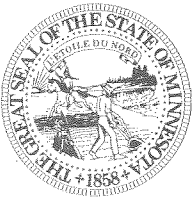


**MINNESOTA POLLUTION CONTROL BOARD
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1985**

APRIL 1986

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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Members of the Legislative Audit Commission

Dr. Duane A. Dahlberg, Chairman
Minnesota Pollution Control Board

Members of the Minnesota Pollution Control Board

Mr. Thomas Kalitowski, Executive Director
Minnesota Pollution Control Agency

Audit Scope

We have completed a financial and compliance audit of the Minnesota Pollution Control Agency (MPCA) for the three years ended June 30, 1985. Section I of this letter provides a brief description of the MPCA's activities and finances. Section II presents a schedule of the audit staff that participated in this audit and the MPCA personnel that attended the exit conference. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on March 20, 1986.

We have issued separate management letters, dated March 12, 1984, February 26, 1985, and November 1, 1985, as a result of our Statewide Financial and Single Audit work in the agency for fiscal years 1983, 1984, and 1985. The management letters contained no recommendations for fiscal year 1983, three recommendations for fiscal year 1984 and three recommendations for fiscal year 1985. The 1984 recommendations related mainly to the budgeting, accounting, reporting, and payroll procedures for federal programs. The 1985 recommendations related to the controls over the billing and receipt processing functions for hazardous waste generator fees, penalties, and reimbursements.

The objectives of the audit were to:

- study and evaluate major MPCA internal control systems, including a review of receipts, payroll, fixed assets, and administrative disbursements;
- verify that financial transactions were properly recorded in the Statewide Accounting System; and
- verify that financial transactions were made in accordance with Minn. Stat. Chapters 115 and 116, and other state finance-related laws, regulations, and policies.

Senator Randolph W. Peterson, Chairman
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Dr. Duane Dahlberg, Chairman
Members of the Minnesota Pollution Control Board
Mr. Thomas Kalitowski, Executive Director
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Management Responsibilities

The management of MPCA is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures.

Due to inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of MPCA is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by MPCA. The purpose of our testing of transactions was to obtain reasonable assurance that MPCA had, in all material respects, administered its programs in compliance with applicable laws and regulations.

Conclusions

In our opinion, except for the three issues raised in our management letter dated November 1, 1985, the MPCA system of internal accounting control in effect on March 20, 1986, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization.

In our opinion, except for the issues raised in the management letter dated February 26, 1985, recommendations #1 and #3, for the three years ended June 30, 1985, the financial transactions of MPCA were properly recorded in the Statewide Accounting System.

In our opinion, except for the issue raised in the management letter dated February 26, 1985, recommendation #2, for the three years ended June 30, 1985, MPCA administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

We would like to thank the Minnesota Pollution Control Agency staff for the cooperation extended to us during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

April 14, 1986

MINNESOTA POLLUTION CONTROL AGENCY

I. AGENCY ACTIVITIES AND FINANCES

The Minnesota Pollution Control Agency (MPCA) was established in 1967, replacing the Water Pollution Control Commission. The MPCA was given the broader functions of regulating, monitoring, and controlling pollution to the air and water resources of the state and pollution resulting from solid and hazardous waste disposal. The staff consists of approximately 400 scientists, investigators, engineers and administrators who are at the direction of a nine member citizen board appointed by the governor. The chairman of the board has been Duane Dahlberg since January 1985. The administrative head of MPCA is the Executive Director, who is appointed by the board. Thomas Kalitowski has been the Executive Director since May 1984. The agency has five regional offices (Duluth, Brainerd, Detroit Lakes, Marshall, and Rochester) to provide local response to pollution problems throughout the state. The financial activities of the regional offices are administered by the MPCA central office.

Activities of MPCA are financed primarily through General Fund appropriations and federal grants. Some of MPCA's programs, such as the Environmental Response, Compensation and Compliance Fund (also called the state superfund) receive revenue through fines, taxes, and permit fees paid by waste producers and violators of control guidelines. Fiscal year 1985 expenditures were as follows:

	<u>GENERAL FUND</u>	<u>FEDERAL FUND</u>	<u>STATE SUPERFUND</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Personal Services	\$6,011,423	\$4,817,848	\$ 323,116	\$ 0	\$11,152,387
Expense & Contractual Services	1,628,926	1,571,017	967,241	60,301	4,224,485
Supplies & Materials	108,674	159,986	19,348	106	288,114
Equipment	139,651	193,711	12,749	0	346,111
Grants & Aids	0	190,594	11,000	0	201,594
Non-Expense Reimb.	0	0	0	435	435
Redistributed Costs	<u>25,000</u>	<u>142,353</u>	<u>140,512</u>	<u>109,883</u>	<u>417,748</u>
TOTAL	<u>\$7,913,674</u>	<u>\$7,075,509</u>	<u>\$1,473,966</u>	<u>\$ 170,725</u>	<u>\$16,630,874</u>

II. AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor participated in this audit:

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer	Audit Manager
Cecile Ebacher Ferkul, CPA	Auditor-in-Charge
Mario Cocchiarella	Staff Auditor
Sonya Hill	Staff Auditor

An exit conference was held with the following MPCA staff on April 8, 1986:

Thomas Kalitowski	Executive Director
John Klaus	Administrative Management Director
John Retzer	Accounting Director
Richard Svanda	Acting Division Director, Solid and Hazardous Waste Division
Gary Pulford	Chief, Site Response Section