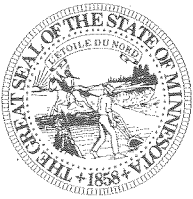


**METROPOLITAN AIRPORTS COMMISSION
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1985**

JULY 1986

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Randolph Peterson, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Raymond G. Glumack, Chairman
Metropolitan Airports Commission

Members of the Metropolitan Airports Commission

Mr. Jeff Hamiel, Executive Director
Metropolitan Airports Commission

Audit Scope

We have completed a compliance audit of the Metropolitan Airports Commission (MAC) for the year ended December 31, 1985. Section I provides a brief description of the MAC's activities and finances. 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 May 14, 1986.

The objectives of the audit were to verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Section 473.601 through 473.679, and other finance-related laws and regulations and to determine the status of prior audit recommendations.

Management Responsibilities

The management of MAC is responsible for the commission's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by MAC. The purpose of our testing of transactions was to obtain reasonable assurance that MAC had, in all material respects, administered its programs in compliance with applicable laws and regulations. A financial audit is conducted of the Metropolitan Airports Commission on a calendar year basis by an independent CPA firm.

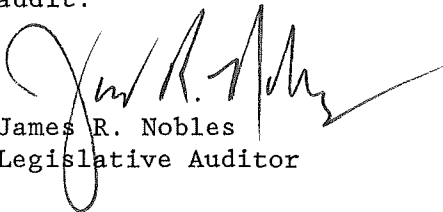
Conclusions

In our opinion, except for the issues raised in Section II, for the year ended December 31, 1985, the Metropolitan Airports Commission administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

Senator Randolph Peterson, Chairman
Members of the Legislative Audit Commission
Mr. Raymond G. Glumack, Chairman
Members of the Metropolitan Airports Commission
Mr. Jeff Hamiel, Executive Director
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Prior audit recommendations repeated in this text are denoted under the caption "PRIOR RECOMMENDATIONS PARTIALLY IMPLEMENTED." The recommendations included in this audit report are presented to assist the MAC in complying with the appropriate statutes and policies. We will be monitoring and reviewing your progress on implementing these recommendations after the dates projected for completion as identified in your response to this report. A summary of the progress made on all audit recommendations discussed in our last audit report covering the year ended December 31, 1984, dated August 16, 1985, is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the MAC staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

July 16, 1986

METROPOLITAN AIRPORTS COMMISSION

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AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Tom Donahue	Audit Manager
Ken Vandermeer, CPA	Auditor-in-Charge
Paul Cullen	Staff Auditor
Mary Lentsch	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Metropolitan Airports Commission on June 19, 1986:

Jeff Hamiel, Executive Director
Lynn Richardson, Director of Finance
Tom Anderson, General Counsel
Steve Busch, Finance Manager
Denise Kantzer, Accounting Manager
Diana Middleton, Data Processing Manager
Bob Schauer, Senior Accountant

METROPOLITAN AIRPORTS COMMISSION

I. INTRODUCTION

The Metropolitan Airports Commission (MAC) was created by the Legislature as a public corporation in 1943 to develop and operate regional airport facilities. The commission is organized, structured and administered as provided in Minn. Stat. Sections 473.601 to 473.679. Its declaration of purpose is specified in Minn. Stat. Section 473.602.

The commission consists of a chairman and ten commission members. The commission chairman is appointed by the Governor for a term coterminous with the Governor. In addition, eight of the ten commissioners are appointed by the Governor and the remaining two members represent the mayors of Minneapolis and St. Paul. Governor Perpich appointed the current chairman, Raymond Glumack, on January 3, 1984.

The commissioners, acting for the corporation, have the responsibility to determine and establish the corporation's policy in the fulfillment of its statutory responsibilities and to interpret the same to the corporation's Executive Director and the Commission staff. The corporation's Executive Director, acting through the Commission staff and consultants, shall have the responsibility for the operation of the corporation in accordance with such policy, and to that end he and they will be held accountable to the Commission.

The corporation operates through various committees of the Commission. The committees have the responsibility to deal with all aspects of Commission business assigned to them through comprehensive and appropriate study by staff or consultants, public input, research, and discussion. The committees, consistent with Commission policies, make recommendations to the Commission for action.

In addition to the Minneapolis/St. Paul International Airport, MAC owns and operates the following six reliever airports:

- St. Paul Downtown Airport
- Flying Cloud Airport
- Crystal Airport
- Anoka County/Blaine Airport
- Lake Elmo Airport
- Airlake Airport

MAC has the authority to levy a tax of up to 1/3 mill on the assessed valuation of property in the seven-county metropolitan area to support its operations. However, general tax support has not been necessary since the late 1960's. MAC operating revenues are generated entirely from user fees established for various facilities and services provided at all commission airports. During 1985, MAC operating revenues of \$49.7 million exceeded operating expenses by approximately \$9.6 million.

METROPOLITAN AIRPORTS COMMISSION

II. CURRENT FINDINGS AND RECOMMENDATIONS

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: The Metropolitan Airports Commission's (MAC) travel and reimbursement policy concerning commission members is inconsistent with Minn. Stat. Section 473.605.

Minn. Stat. Section 473.605, Subd. 2 provides that "members shall be reimbursed for all actual and necessary expenses incurred in the performance of their duties in the same manner and amount as state employees." Furthermore, "The chairman . . . shall be reimbursed for reasonable expenses to the same extent as a member." Although commission members are not state employees, the statute is quite clear that they are to be reimbursed for necessary expenses to the same extent as state employees would be.

The Commissioner of the Minnesota Department of Employee Relations has established a 'commissioner's plan' pursuant to Minn. Stat. Section 43A.18, Subd. 2. The plan covers all state employees who are not covered under collective bargaining agreements and who are not otherwise provided for in the law. While there are several bargaining units representing state employees, the commissioner's plan appears the most appropriate for MAC commission members.

The commissioner's plan provides that state employees in travel status may be reimbursed for expenses in the amounts actually incurred not to exceed any maximum amounts specified. MAC's travel and reimbursement policy for business and business related expenses is provided for in Section 13 of its Personnel Policy Guide. We noted certain provisions and lack of provisions within MAC's travel policy during our 1984 audit that ignored the directive provided in Minn. Stat. Section 473.605, Subd. 2 concerning commission members. Specifically, MAC's policy:

- required commissioners to fly first class;
- placed no dollar limits on business meals; and,
- generally, reimbursed commissioners for meals while conducting MAC business within the seven county metropolitan area.

On December 11, 1985, the MAC Audit and Compliance Committee proposed changes to the travel policies that would require out-of-town air travel to be via coach or tourist class for all commissioners and MAC employees. This change was approved by the full commission on December 16, 1985.

The MAC Audit and Compliance Committee also requested that a draft of MAC's travel policies be sent to the Department of Employee Relations (DOER) for their approval. A draft was sent on April 14, 1986, which basically reiterates the policies in effect during our prior audit except for the change in out-of-town air travel. MAC requested exemption from

METROPOLITAN AIRPORTS COMMISSION

the normal state guidelines for its commission members and staff due to the unique responsibilities MAC has for promoting air commerce. If the proposed travel policies are not approved by DOER, MAC should change its policies to incorporate the recommendations issued in our prior audit.

RECOMMENDATION:

1. We recommend that MAC comply with Minn. Stat. Section 473.605, Subd. 2 by either:
 - A. Obtaining approval from DOER to exempt MAC from the normal state travel guidelines as discussed in the proposed policy sent on April 14, 1986; or
 - B. Amending their travel policy as follows:
 - Commission members should be reimbursed for meals while in travel status to the extent of the limitations established by the Commissioner of Employee Relations;
 - Commission members should not be reimbursed for meals while conducting MAC business within the seven county metropolitan area;
 - the practice of paying for lunches of third parties conducting business with the MAC should be discontinued; and
 - the MAC should incorporate into its travel and reimbursement policy the appropriate travel and reimbursement provisions of the state plan.

METROPOLITAN AIRPORTS COMMISSION

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

The Metropolitan Airports Commission's (MAC) travel and reimbursement policy concerning commission members is inconsistent with Minn. Stat. Section 473.605.

1. We recommend that MAC comply with Minn. Stat. Section 473.605, Subd. 2 in the following respects:

- All air travel by commission members should be by coach or tourist class.

Recommendation Implemented. MAC amended its travel policy on December 16, 1985 to require all air travel to be via coach or tourist class.

- The commission members should be reimbursed for meals while in travel status to the extent of the limitations established by the Commissioner of Employee Relations.

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.

- Commission members should not be reimbursed for meals while conducting MAC business within the seven county metropolitan area.

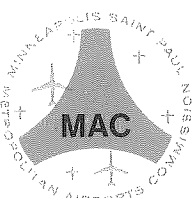
RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.

- The practice of paying for lunches of third parties conducting business with the MAC should be discontinued.

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.

- The MAC should incorporate into its travel and reimbursement policy the appropriate travel and reimbursement provisions of the state plan.

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.



Minneapolis • Saint Paul

METROPOLITAN AIRPORTS COMMISSION

P. O. BOX 11700

TWIN CITY AIRPORT

MINNESOTA 55111

OFFICE OF EXECUTIVE DIRECTOR

PHONE (612) 726-1892

June 16, 1986

Mr. James R. Nobles
Legislative Auditor
State of Minnesota
Veterans Service Building
St. Paul, MN 55155

Dear Mr. Nobles:

Please accept this letter as a formal written response to the comments and recommendations made regarding the audit conducted by the Legislative Auditor of the Metropolitan Airports Commission for the year ended December 31, 1985.

First, let me express the appreciation of the staff of the Metropolitan Airports Commission for the timely and professional manner in which the audit was conducted. Your staff was sensitive to the need to continue with the daily operation of the Commission as well as their responsibilities to conduct a thorough and comprehensive audit. We believe your audit reflects a knowledge of the Airports Commission and careful consideration of the issues involved.

We are particularly pleased that your audit has identified no new issues of non-compliance and has found that we have administered our programs in compliance with applicable finance related laws and regulations. We believe it is our duty to strive to the highest levels of compliance for the organization in order to maintain the required level of public trust for the Airports Commission. It is indeed gratifying to find that the Commission is achieving that level of compliance.

The current findings and recommendations of your audit deal entirely with the recommendation regarding MAC's travel and reimbursement policy for Commission members which was discussed in detail in your audit for the year ended December 31, 1984, released in August 1985. As you have noted in your recommendations, the first portion of that recommendation which requested that the Metropolitan Airports Commission change its travel policy to eliminate the requirement for Commissioners to fly first class has been adopted. As of December 16, 1985 the Airports Commission approved a change to its travel policy requiring all air travel to be via coach or tourist class.

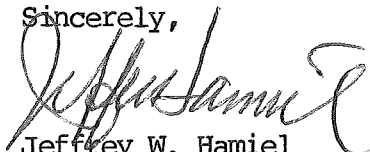
The remaining recommendations from the 1985 audit all deal with MAC's reimbursement policy for meals eaten while conducting Airport business. MAC has prepared a draft of a proposed policy which has been sent to the Department of Employee Relations for their review. Since that time, further discussions have

been held with the Commissioner of Employee Relations and appropriate staff to provide background information for the decision making process. These meetings have generated additional questions and requests for information which are in process at this time. We believe that the Department of Employee Relations is currently giving thorough consideration to the implications and expected outcomes of approving this policy.

We continue to believe that the status of MAC Commissioners as parttime appointed officials for an agency which has been given responsibilities for promoting the region's air transportation system requires additional consideration. It is our intent to comply rapidly and completely with the recommendations of the Legislative Auditor. Accordingly, as Executive Director for the Metropolitan Airports Commission, I have assumed the responsibility of completing our discussions with the Department of Employee Relations and making any necessary changes to our travel policy during the next three months.

If you have any questions or comments concerning our reply, please contact me at 726-1892.

Sincerely,



Jeffrey W. Hamiel
Executive Director