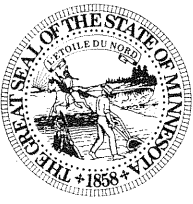


**BUREAU OF MEDIATION SERVICES
FINANCIAL AND COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1985**

AUGUST 1986



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 W. Peterson, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Paul W. Goldberg, Director
Bureau of Mediation Services

Audit Scope

We have completed a financial and compliance audit of the Bureau of Mediation Services for the two years ended June 30, 1985. Section I includes a brief description of the Bureau of Mediation Services 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 June 4, 1986.

The objectives of the audit were to:

- study and evaluate major internal control systems at the Bureau of Mediation Services, including a review of receipts, payroll, other administrative expenditures and fixed assets;
- verify that financial transactions were made in accordance with applicable laws, regulations and policies, including Minnesota Statute Chapters 179-179A, and other finance-related laws and regulations; and
- verify that financial transactions were properly recorded on the statewide accounting system.

The management of the Bureau of Mediation Services is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. 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.

Because of 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 the Bureau of Mediation Services 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 the Bureau of Mediation Services. The purpose of our testing of transactions was to obtain reasonable assurance that the Bureau of Mediation Services had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Conclusions

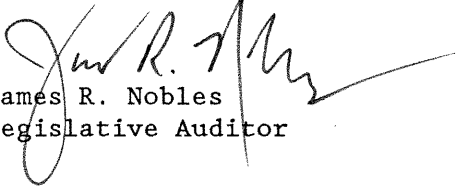
In our opinion, except for the issues raised in Section II, recommendations 1 and 2, the Bureau of Mediation Services system of internal accounting control in effect on May 30, 1986, taken as a whole, was sufficient to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

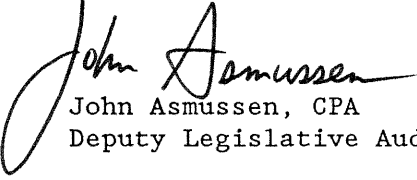
In our opinion for the two years ended June 30, 1985, the Bureau of Mediation Services administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

In our opinion, for the two years ended June 30, 1985, the Bureau of Mediation Services properly recorded, in all material respects, its financial transactions on the statewide accounting system.

The recommendations included in this audit report are presented to assist the Bureau in improving accounting procedures and controls. We will be monitoring and reviewing the Bureau of Mediation Services' progress on implementing these recommendations.

We would like to thank the Bureau of Mediation Services staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 5, 1986

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AUDIT PARTICIPATION

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

John Asmussen, CPA
Tom Donahue
Kari Bergum

Deputy Legislative Auditor
Audit Manager
Auditor-in-Charge

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the Bureau of Mediation Services at an exit conference held on June 20, 1986:

Paul Goldberg
Ramona Anderson
Deanna Matteson

Director
Office Services Supervisor
Account Clerk

BUREAU OF MEDIATION SERVICES

I. INTRODUCTION

The Bureau of Mediation Services (BMS), a neutral regulatory agency, is responsible for promoting a stable relationship between labor and management for the public, private, and nonprofit economic sectors within Minnesota. BMS is under the supervision and control of a director who is appointed by the governor. Paul Goldberg was the director during the audit period.

BMS utilizes most of its staff and time for mediating conflicts between labor and management. The Bureau also determines appropriate collective bargaining units for employees. After the bargaining unit is determined, BMS conducts an election to determine whether the employees want to be represented by the particular organization. Fair share fee cases are also handled by BMS. Such fees are assessed employees who are not members of a union but are represented by the union and receive some of the union's privileges. Employees may file a petition with the Bureau to protest the fee. BMS also handles arbitration referrals and conducts union official elections.

The Bureau receives the majority of its funding from General Fund appropriations. BMS incurred expenditures of approximately \$1,077,000 in fiscal year 1984 and approximately \$1,210,000 in fiscal year 1985. Personal services comprise more than 75 percent of the total expenditures, while operations such as contractual services, equipment, and supplies, comprise the remaining 25 percent of expenditures.

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II. CURRENT FINDING AND RECOMMENDATIONS

Controls for receipts need to be strengthened.

BMS collects receipts for processing transcripts of cases, arbitration summary subscriptions, copying machine charges, federal grants, fair share filing fees, and other miscellaneous items. During fiscal years 1984 and 1985, BMS collected \$10,513 and \$22,930, respectively, in receipts.

The processing procedures depend on the type of receipt. The administrative services supervisor receives all mail and records all receipts into a log book. Some receipts such as federal program receipts and other miscellaneous receipts are then given directly to the account clerk who prepares the deposit slips. Other receipts such as transcript and copying machine fees, arbitration summary subscriptions, and fair share filing fees are given to other personnel for additional processing. For instance, when fair share filing fees or arbitration summary fees are received, administrative personnel issue receipts to the payee before the checks are given to the account clerk. Transcript and copying machine checks are initially given to transcript specialists for final processing of the documents. These checks are then given to the account clerk. Once the deposit slips have been completed, the administrative services supervisor verifies that all receipts recorded in her log book have been included in the deposit.

Minn. Stat. Section 16A.275 requires that receipts over \$250 be deposited daily. Some deposits tested which were over \$250, were held for over a week. For instance, a deposit for over \$950 was held for three weeks and a deposit for over \$650 was held for two weeks. Sometimes, these delays result when the individual responsible for writing out receipts for arbitration summary fees or processing transcripts holds the checks for a week or more before giving the checks to the account clerk. Such delays weaken internal control by increasing the risk for loss or theft. Deposit delays also result in a loss of investment income to the state and has an adverse effect on its cash flow management.

To ensure prompt deposit, the office services supervisor should not route the checks to various personnel for further processing. All checks should be given directly to the account clerk for deposit. For those receipt items requiring further processing, photocopies of the check received could be made and forwarded to the appropriate processing unit.

In addition, some transcript and copying machine billings are not adequately documented. The total billing is based on a specified rate per page. Some billings specify the number of pages and the rate per page to document how the total was derived. However, other billings document only the total amount billed. During fiscal year 1984, 9 out of 20 sample

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items did not document how the total was derived. In a few cases, the rate charged per page was in error. No other documentation was retained to verify the total. As a result, it was difficult to verify that the correct rate per page was charged. BMS should consider developing a preprinted invoice or billing which lists the various transcript rates per page. That way the appropriate rate could be identified and multiplied by the number of pages to arrive at a documented total.

RECOMMENDATIONS:

1. *BMS should deposit all receipts daily or when they aggregate \$250 or more, according to Minn. Stat. Section 16A.275.*
2. *The account clerk or another individual who does not prepare billings, should verify that the correct rate per page is charged and billing is mathematically accurate. The billing statement should identify the rate per page, the number of pages copies, and total cost.*

STATE OF MINNESOTA
BUREAU OF MEDIATION SERVICES
205 AURORA AVENUE
SAINT PAUL 55103
PHONE 612-296-2525

August 5, 1986

James Nobles
Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Dear Mr. Noble:

In response to the request of Thomas Donahue at the conclusion of the audit work recently completed at the Bureau of Mediation Services, please accept the following information concerning the implementation of the recommendations made by the audit team:

Recommendation No. 1 - Deanna Matteson will assure that all receipts are deposited daily or when they aggregate \$250 or more. This recommendation was implemented at the conclusion of the exit interview on June 20, 1986.

Recommendation No. 2 - The account clerk, Deanna Matteson verifies the correct rate per page charged for transcript production and reproduction. She also assures that the rate per page is identified on the billing statement along with the number of pages copied and the total cost. This recommendation was also implemented immediately following the exit conference in June.



AN EQUAL OPPORTUNITY EMPLOYER

Nobles
August 5, 1986
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Although we do not wish the draft report to be altered, there is one small error in the discussion of the procedures utilized by the agency with respect to copy machine fees. These fees do not go to the Transcript Specialists. They go directly to Deanna Matteson (the account clerk) for deposit.

Sincerely,



Paul W. Goldberg
Director

cc: R. Anderson
D. Matteson
K. Boxell
J. King