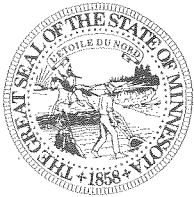


**MINNESOTA POLLUTION CONTROL AGENCY
MANAGEMENT LETTER
FISCAL YEAR 1987**

NOVEMBER 1987



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Mr. Thomas Kalitowski, Executive Director
Minnesota Pollution Control Agency
520 Lafayette Road
St. Paul, Minnesota 55155

Dear Mr. Kalitowski:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1987 financial statements. The scope of our work has been limited to:


- those aspects of your department which have material impact on any of the state's various funds and account groups shown on the financial statements; and
- the status of prior audit recommendations.

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. Even though no auditing of federal programs was done in your department during our fiscal year 1987 audit, the statewide single audit coverage still satisfies the federal government's current financial and compliance audit requirements for all federal programs administered by your department in fiscal year 1987.

Our review this year disclosed no weaknesses in accounting procedures or controls relating to the programs audited. Attached to your management letter is a summary of the progress on the audit recommendations developed during our audit of Minnesota's fiscal year 1986 financial statements.

Thank you for the cooperation extended to our staff during this audit.

Sincerely,


James R. Nobles
Legislative Auditor
Attachment


John Asmussen, CPA
Deputy Legislative Auditor

November 10, 1987

MINNESOTA POLLUTION CONTROL AGENCY

STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

The Pollution Control Agency needs to strengthen controls over the billing and receipt processing functions for hazardous waste generator and air and water quality fees, penalties, and reimbursements.

1. PCA should increase control over the receipt processing function by segregating the following duties:
 - the mail should be opened in the mailroom, checks restrictively endorsed, a list of receipts prepared and transmitted with the checks to the Accounting Division for deposit;
 - the mailroom list of receipts should be signed by the employee in the Accounting Division to acknowledge transmittal of the the checks and a copy provided to the mailroom employee;
 - the deposits should be prepared by an employee independent of the billing and receipt processing; and
 - the confirmation of deposits to statewide accounting (SWA) should be performed by an employee independent of the person who prepares the deposits.
2. Checks should be deposited in the State Treasury in accordance with Minn. Stat. Section 16A.275.

RECOMMENDATIONS IMPLEMENTED. In January 1987, the Pollution Control Agency adopted a policy to implement these recommendations. Although the policy does not follow the exact steps as described above, alternative controls were established by the agency which we believe are adequate to resolve the situation. Currently the program divisions send out fee statements and issue the consent orders, while the fiscal services section receives, deposits, and reconciles the receipts. The deposit slips are prepared by a senior account clerk who is independent of the billing function and then verified by the senior accounting officer. Once the deposit has been verified, it is submitted to the accounting director for authorization and deposited in the State Treasury in accordance with Minn. Stat. Section 16A.275. An executed copy of the deposit slip is sent to the divisions for affirmation and month end SWA reports are verified against the deposit slips by the senior account clerk.