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DEPARTMENT OF TRANSPORTATION  
GOLDEN VALLEY DISTRICT  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1987

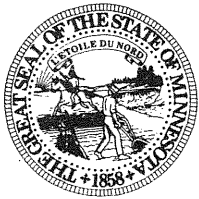
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JULY 1988

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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Leonard Levine, Commissioner  
Department of Transportation

Mr. William Crawford, District Engineer  
Transportation District 5 - Golden Valley

**Audit Scope**

We have completed a financial and compliance audit of the Department of Transportation - District 5, for the three years ended June 30, 1987. 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 3, 1988.

The objectives of this audit were to:

- study and evaluate major internal accounting control systems at District 5 in effect as of May 20, 1988;
- determine that financial transactions have been accurately recorded and reported on the statewide accounting system;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies;
- determine that accurate records were maintained for consumable inventory as of May 20, 1988, the date of the inventory count as recorded on the Mn/DOT inventory system; and
- determine the status of prior audit recommendations.

**Management Responsibilities**

The management of the Department of Transportation - District 5 is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments 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.

Representative Phillip J. Riveness, Chairman  
Members of the Legislative Audit Commission  
Mr. Leonard Levine, Commissioner  
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Transportation District 5 - Golden Valley  
Page 2

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 Department of Transportation - District 5 is 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 Department of Transportation - District 5. The purpose of our testing of transactions was to obtain reasonable assurance that the Department of Transportation - District 5 had, in all material respects, administered their programs in compliance with applicable laws and regulations.

#### Conclusions

In our opinion, the Department of Transportation - District 5's system of internal accounting control in effect on May 20, 1988, 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.

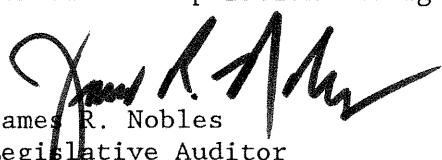
In our opinion, for the three years ended June 30, 1987, the Department of Transportation - District 5 properly recorded in all material respects, its financial transactions on the statewide accounting system.

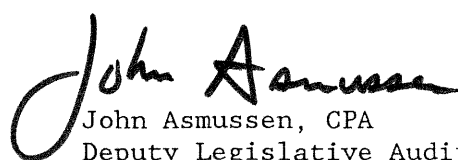
In our opinion, for the three years ended June 30, 1987, the Department of Transportation - District 5 administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

In our opinion, as of May 20, 1988, the Department of Transportation - District 5 maintained accurate records for consumable inventory, as recorded on the Mn/DOT inventory system.

A summary of the progress made on all audit recommendations discussed in our last audit report covering the period from July 1, 1984 through April 9, 1985, dated June 10, 1985, is shown in Section I entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the Department of Transportation - District 5 staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor  
June 29, 1988

  
John Asmussen, CPA  
Deputy Legislative Auditor

DEPARTMENT OF TRANSPORTATION

DISTRICT 5

I. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

Inventory records for the State Bridge Yard need to be improved.

1. When the physical inventory of the bridge yard is taken by the Bridge Unit appropriate changes should be made to the inventory system so that it accurately reflects the amounts on hand and properly describes each item.
2. The valuation of items in the bridge yard should be reviewed and revised so that the inventory system better reflects the value of items on hand.

RECOMMENDATIONS WITHDRAWN. The value of bridge yard inventory has decreased from over 31,000 in 1985 to approximately 5,000 in 1988. Inventory consists of items such as large beams, girders, guardrails, and timbers which are not subject to pilferage. The bridge unit adequately controls these items through an annual physical inventory.