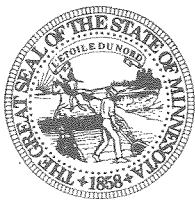


**STATE BOARD OF ELECTRICITY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE PERIOD JULY 1, 1985 THROUGH JUNE 30, 1988**

AUGUST 1988

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

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Leon Barnier, President
State Board of Electricity

Members of the State Board of Electricity

Mr. John Quinn, Executive Secretary
State Board of Electricity

Audit Scope

We have completed a financial and compliance audit of the State Board of Electricity for the period July 1, 1985 through June 30, 1988. Section I provides a brief description of the Board'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 under the circumstances. Field work was completed on August 3, 1988.

The objectives of the audit were to:

- study and evaluate major systems of internal accounting control, including a review of revenue, expenditures, assets and liabilities of the Board;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapters 214 and 326;
- evaluate the recording and reporting of financial transactions on the statewide accounting system; and
- determine the status of prior audit recommendations.

Management Responsibilities

The management of the Board 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

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authorizations and recorded properly. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

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

Conclusions

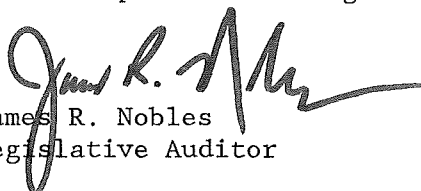
In our opinion, the system of internal accounting control of the Board of Electricity in effect as of June 30, 1988, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

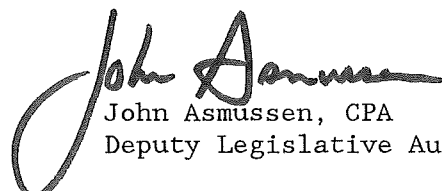
In our opinion, the Board of Electricity administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations for the period July 1, 1985 through June 30, 1988.

In our opinion, the Board of Electricity properly recorded, in all material respects, its financial transactions on the statewide accounting system for the period July 1, 1985 through June 30, 1988.

Our audit disclosed no weaknesses in accounting procedures or controls. A summary of the progress made on all audit recommendations discussed in our last audit report covering the year ended June 30, 1982, dated August 1983, is shown in Section II entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the staff of the State Board of Electricity for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 25, 1988

STATE BOARD OF ELECTRICITY

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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
Rhonda Regnier	Auditor-in-Charge
Elaine Wiechmann	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following representatives of the State Board of Electricity at an exit conference held on August 10, 1988 at 10:00 a.m.:

John Quinn	Executive Secretary
William Bickner	Assistant Executive Secretary
Joanne Peterson	Office Manager

STATE BOARD OF ELECTRICITY

I. INTRODUCTION

The State Board of Electricity is a service and regulatory agency which licenses electricians and electrical contractors and inspects new electrical installations. The primary purpose of this agency is to assure the consumer that electrical wiring installed is in conformity with accepted standards of construction for safety to life and property, and to protect the public from incompetent and unscrupulous electrical installers.

The Board conducts written examinations for 1,200 applicants for 10 types of licenses annually. It currently licenses 14,000 electricians and electrical contractors during a biennium. It has a legislative complement of 18 employees and contracts with 47 electrical inspectors to inspect annually 60,000 to 70,000 requests for electrical inspection which averages four trips per installation.

Prior to July 1, 1987, licensing, examining, handling fees, and a portion of inspection fees were collected and deposited into the General Fund to recover the administrative costs of the Board. Inspection fees were deposited to a Special Revenue Fund where a percentage of the fees were paid to the inspectors under contract with the Board. After June 30, 1987, all revenues collected by the Board are deposited to the Special Revenue Fund with the exception of sales tax. Currently, all operations of the Board are through the Special Revenue Fund.

For the fiscal year ended June 30, 1988, the Board collected revenues of \$3,171,689 and disbursed \$2,741,338.

STATE BOARD OF ELECTRICITY

II. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

A Board of Electricity employee was paid relocation expenses in excess of the amount allowed.

1. The Board should either request repayment of \$5,429.25 from the employee or seek another appropriate means of resolving this issue.

RECOMMENDATION WITHDRAWN. An agreement was reached in August 1983, in favor of the employee. A grievance was filed and subsequently settled between the State of Minnesota, Board of Electricity, and MAPE.

Electrical inspector contracts are not adequately publicized.

2. The Board should implement procedures to adequately publicize the availability of electrical inspector contracts to comply with Minn. Stat. Section 16.098, Subd 3 (4).

RECOMMENDATION IMPLEMENTED. The Board began publicizing the availability of electrical inspector contracts in September 1983, and has continued the practice of publicizing in both state and private publications every one or two years.