

File

**MINNESOTA TAX COURT
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

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

90-39

MINNESOTA TAX COURT
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 13, 1990

No. 90-39

OBJECTIVES:

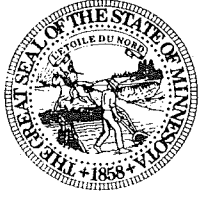
- EVALUATE INTERNAL CONTROL STRUCTURE: Cash receipts, payroll, and administrative disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

The Honorable Jean Stepan, Chief Judge
Minnesota Tax Court

Audit Scope

We have conducted a financial related audit of the Minnesota Tax Court as of and for the time July 1, 1986 to June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Tax Court. We have also made a study and evaluation of the internal control structure of the Minnesota Tax Court in effect at March 31, 1990.

The Minnesota Tax Court is an independent agency of the executive branch of the state government. The court consists of three judges appointed by the Governor, with the advice and consent of the Senate, for terms of six years. The Tax Court has statewide jurisdiction, including authority for hearing and determination of all questions of law and fact arising under the tax laws of the state except for criminal, probate, or real property title cases. General Fund appropriations finance the activities of the Tax Court. As recorded in the statewide accounting system, cash basis expenditures for the Tax Court were \$427,046 for fiscal year 1989, \$413,221 for fiscal year 1988, and \$390,910 for fiscal year 1987.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of the Minnesota Tax Court are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Tax Court's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Minnesota Tax Court is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by

management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- payroll,
- administrative disbursements, and
- cash receipts,

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

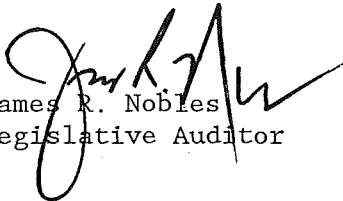
In our opinion, the internal control structure of the Minnesota Tax Court in effect at March 31, 1990, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to transactions of the Minnesota Tax Court.

The results of our tests indicate that, with respect to the items tested, the Minnesota Tax Court complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Tax Court had not complied, in all material respects, with those provisions.

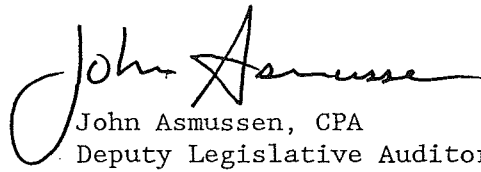
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Page 3

This report is intended for the information of the Legislative Audit Commission and management of the Minnesota Tax Court. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 13, 1990.

We would like to thank the Minnesota Tax Court staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: May 31, 1990

REPORT SIGNED ON: July 9, 1990