

**DEPARTMENT OF NATURAL RESOURCES  
NEW ULM REGION  
FINANCIAL AUDIT  
FOR THE FOUR YEARS ENDED JUNE 30, 1989**

---

**SEPTEMBER 1990**

---

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

**90-62**



# **DEPARTMENT OF NATURAL RESOURCES NEW ULM REGION**

## **FINANCIAL AUDIT FOR THE FOUR YEARS ENDED JUNE 30, 1989**

Public Release Date: September 7, 1990

No. 90-62

### **OBJECTIVES:**

- EVALUATE INTERNAL CONTROL STRUCTURE: Cash receipts at Flandrau, Minneopa, Fort Ridgely, and Sibley State Parks; general operating disbursements; payroll; and fixed asset inventory.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

### **CONCLUSIONS:**

We found two areas where the internal control structure needed improvement:

- Receipt duties are not adequately segregated at Flandrau and Sibley State Parks.
- Keys distributed to seasonal park workers at Flandrau and Minneopa State Parks are not collected upon end of employment.

We reported one area where the region had not complied with finance-related legal provisions:

- Enforcement supervisors do not document approval of overtime hours for conservation officers.

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





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

---

Senator John E. Brandl, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Joseph Alexander, Commissioner  
Department of Natural Resources

Mr. James Schneider, Regional Administrator  
Department of Natural Resources, New Ulm Region

Audit Scope

We have conducted a financial related audit of the Department of Natural Resources, New Ulm Region IV as of and for the four fiscal years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Natural Resources, New Ulm Region IV, as discussed in the Introduction, and limited to those receipts discussed in the following paragraph. We have also made a study and evaluation of the internal control structure of the Department of Natural Resources, New Ulm Region IV in effect as of April 1990.

Our receipt testing was restricted due to the decentralized location of receipts collected by the Department of Natural Resources, New Ulm Region IV. We were able to audit the receipts collected at Flandrau State Park, Minneopa State Park, Camden State Park, Fort Ridgely State Park, and Sibley State Park. However, disbursements were not affected as a result of the restriction on receipts.

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 transactions of the Department of Natural Resources, New Ulm Region are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Natural Resources, New Ulm Region'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 Department of Natural Resources, New Ulm Region is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws,

Senator John E. Brandl, Chairman  
Members of the Legislative Audit Commission  
Mr. Joseph Alexander, Commissioner  
Mr. James Schneider, Regional Administrator  
Page 2

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:

- Flandrau State Park cash receipts,
- Minneopa State Park cash receipts,
- Camden State Park cash receipts,
- Fort Ridgely State Park cash receipts,
- Sibley State Park cash receipts,
- general operating disbursements,
- payroll, and
- fixed asset inventory.

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.

#### Scope Limitation

We were unable to audit fiscal year 1986 payroll and disbursement transactions of the Department of Natural Resources, New Ulm Region because these records had been destroyed. Region staff informed us they believed maintaining three years of these records was adequate for audit

Senator John E. Brandl, Chairman  
Members of the Legislative Audit Commission  
Mr. Joseph Alexander, Commissioner  
Mr. James Schneider, Regional Administrator  
Page 3

purposes. The Region Office had notified Central Office prior to the disposal. We reviewed the Region's records retention schedule which indicated these records should have been available.

### Conclusions

Our study and evaluation disclosed the conditions discussed in findings 2 and 3 involving the internal control structure of the Department of Natural Resources, New Ulm Region IV. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating the significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of the Department of Natural Resources, New Ulm Region at the exit conference held on August 13, 1990.

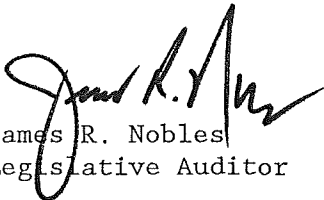
Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial activities being audited. The results of our tests of compliance disclosed the instance of noncompliance noted in finding 1.

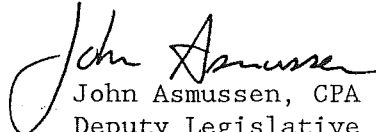
Except as described above, the results of our tests indicated that, with respect to the items tested, the Department of Natural Resources, New Ulm Region IV complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Natural Resources, New Ulm Region IV had not complied, in all material respects, with those provisions.

Senator John E. Brandl, Chairman  
Members of the Legislative Audit Commission  
Mr. Joseph Alexander, Commissioner  
Mr. James Schneider, Regional Administrator  
Page 4

This report is intended for the information of the Legislative Audit Commission and management of the Department of Natural Resources, New Ulm Region IV. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 7, 1990.

We would like to thank the Department of Natural Resources, New Ulm Region staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: June 13, 1990

REPORT SIGNED ON: August 30, 1990



DEPARTMENT OF NATURAL RESOURCES  
NEW ULM REGIONAL OFFICE

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
AGENCY RESPONSE	4

AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor participated in this audit:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
John Wicklund, CPA	Auditor-in-Charge
Joan Haskin, CPA	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following on August 13, 1990:

DNR - New Ulm:

James Schneider	Regional Administrator
Ken Block	Regional Business Manager

DNR - Central Office:

John Bouthilet	Financial Management Bureau Supervisor
Al Yozamp	Financial Management Bureau Administrator
Bill Brinker	Parks Division Business Manager
Leo Haseman	Enforcement Division Director



DEPARTMENT OF NATURAL RESOURCES  
NEW ULM REGIONAL OFFICE

I. INTRODUCTION

The Department of Natural Resources (DNR) exists to perpetuate and enhance Minnesota's lands, waters, timber, minerals, fish, wildlife, and other natural resources for the benefit and enjoyment of the public. To accomplish these goals, the DNR has set up headquarters in six regional offices throughout Minnesota.

The Region IV office of the DNR is located in New Ulm. The regional office includes a regional administrator and regional supervisors for each of the following areas: enforcement, fisheries, forestry, parks, and wildlife. Other staff represented at the regional level include, among others, waters, trails, engineering and land specialists. Regional supervisors report directly to their division directors at the central office in St. Paul concerning program matters. The regional administrator is responsible for coordinating and monitoring the field activities of these disciplines and supervising the administrative matters of the region. The Department of Natural Resources, New Ulm Region also has area offices located throughout southern and western Minnesota to aid in conducting the programs and activities of the various disciplines.

For the fiscal year ending 1989, the Department of Natural Resources, New Ulm Regional office incurred approximately \$9.6 million in expenditures. Payroll expenditures amounted to about 73 percent of the total expenditures, or \$7.0 million. About 19.7 percent, or \$1.9 million, was spent on general administrative expenses and supplies during this period. The New Ulm Region has 13 state parks which generated approximately \$745,000 in receipts during fiscal year 1989.

Sources of financial information: Managers Financial Report as of 9/3/89;  
Department of Natural Resources Parks  
and Recreation Division records.

DEPARTMENT OF NATURAL RESOURCES  
NEW ULM REGIONAL OFFICE

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Enforcement supervisors do not document approval of overtime hours for conservation officers.

Enforcement supervisors do not document approval of overtime earned in excess of six hours for each pay period. The bargaining agreement contract for conservation officers states that conservation officers need prior approval from the regional enforcement supervisor or his designee to work 6 to 12 hours of overtime in a single pay period. Conservation officers may exceed 12 hours of overtime during the pay period when specifically authorized by the director of enforcement or his designee. New Ulm Region conservation officers record overtime worked on their biweekly timesheet. While their enforcement supervisor signs the timesheets, no other documentation is maintained approving any overtime worked beyond six hours.

DNR - Central Office approved a block of 400 overtime hours for each officer to use during the year. The Region Office monitors compliance with this annual limit. However, enforcement supervisors do not formally approve overtime for each pay period. The DNR policy recognizes that emergency situations may occur when the officer cannot obtain advance approval to work more than 86 hours. However, these instances should be documented. Without proper authorization or documentation on a biweekly basis, conservation officers could receive pay for hours not worked or approved.

RECOMMENDATION

- Enforcement supervisors should approve overtime for each pay period. Overtime worked in excess of six hours per pay period should be adequately documented as an emergency or have been approved in advance.

2. Receipt duties are not adequately segregated at Flandrau and Sibley State Parks.

Two of the largest parks within the New Ulm Region do not segregate duties when processing receipts. Together, Sibley and Flandrau State Parks comprise approximately 42 percent of the total receipts received by the Region's parks during Fiscal Year 1989. Lead clerks, who perform a significant amount of the cashiering duties, prepare and sign the Weekly Receipts Report and State Park Deposit Reports. These clerks also maintain and have access to the accounting records, including cash register tapes and reconciliations. With park managers and assistant park managers performing no independent review of these reports, the risk of errors or irregularities increases.

DEPARTMENT OF NATURAL RESOURCES  
NEW ULM REGIONAL OFFICE

The DNR-Parks Division within Central Office recently developed accounting procedures allowing park managers to delegate the duties of authorizing these receipt reports. These reports are the source documentation for recording park receipts onto the Statewide Accounting System. By allowing this delegation of authority, the Parks Division procedures concentrate receipt duties with these clerks. Duties should be segregated to the degree possible with available staffing. Park management should regularly review the work of their clerical staff to reduce the risk of material errors or irregularities occurring.

RECOMMENDATION

- Park managers or assistant park managers should review and approve the receipt reports prepared by park clerical staff.
3. Keys distributed to seasonal park workers at Flandrau and Minneopa State Parks are not collected upon end of employment.

Park managers at Sibley and Flandrau State Parks told us they do not consistently collect keys issued to seasonal employees. These seasonal workers keep park keys after their dismissal from full-time employment in the fall. Other region park managers indicated they maintain a practice of collecting these keys. Potentially, unauthorized access to the park buildings, which contain receipts, gasoline, supplies, and fixed assets, could be gained. Detection of material thefts would likely be immediately noticed by full-time park staff. Nevertheless, good internal accounting control supports the collection of keys from these workers while they are not in active employment status.

RECOMMENDATION

- Park managers should make a consistent practice of collecting keys from seasonal workers upon their dismissal.



STATE OF  
**MINNESOTA**  
**DEPARTMENT OF NATURAL RESOURCES**

500 LAFAYETTE ROAD, ST. PAUL, MINNESOTA 55155-4037



OFFICE OF THE  
COMMISSIONER

DNR INFORMATION  
(612) 296-6157

August 23, 1990

Mr. James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
Veterans Service Building  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

The purpose of this letter is to outline the actions to be taken to implement the recommendations in the audit report for the Department of Natural Resources, New Ulm Regional Office, for the four fiscal years ended June 30, 1989.

**RECOMMENDATION #1:** This recommendation pertains to documentation and approval of conservation officer overtime. The Director of Enforcement will require that all time in excess of 86 hours per pay period be approved in advance by the supervisor, except emergency situations, and that this prior approval will be documented on the payroll timesheets.

**Person Responsible:** Leo Haseman  
**Implementation Date:** October 1, 1990

**RECOMMENDATION #2:** This recommendation pertains to the separation of duties in the park receipts process. The Division of Parks will develop procedures that achieve a separation of duties within available staffing limits. This separation of duties may involve employees other than park managers/assistant managers.

**Person Responsible:** Bill Brinker  
**Implementation Date:** October 1, 1990

Yours truly,

Joseph N. Alexander  
Commissioner

cc: Margaret Jenniges  
Eugene Gere  
James Schneider  
Kenneth Block  
Leo Haseman  
Diane Moe  
Bill Morrissey  
Bill Brinker

AN EQUAL OPPORTUNITY EMPLOYER