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DEPARTMENT OF MILITARY AFFAIRS
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1990

MARCH 1991

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Veterans Service Building • St. Paul, MN 55155
612/296-4708

DEPARTMENT OF MILITARY AFFAIRS

FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1990

Public Release Date: March 15, 1991

No. 91-13

OBJECTIVES:

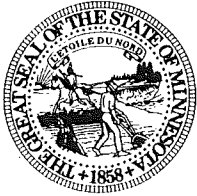
- EVALUATE INTERNAL CONTROL STRUCTURE: policies, procedures, payroll, and administrative disbursements associated with various state and federal programs.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

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

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dee Long, Acting Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Brig. General Eugene Andreotti
Adjutant General
Department of Military Affairs

Audit Scope

We have conducted a financial related audit of the Minnesota Department of Military Affairs for the year ended June 30, 1990. This includes activities of the Military Construction, Army, and Air National Guard Reimbursements program (CFDA #12.000). We have also made a study and evaluation of the internal control structure of the Minnesota Department of Military Affairs in effect at June 30, 1990.

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 Minnesota Department of Military Affairs are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Minnesota Department of Military Affairs' 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 Department of Military Affairs 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:

- federal grant reimbursements:
 - Military Construction, Army and Air National Guard Reimbursements (CFDA #12.000)
- other receipts,
- disbursements,
- payroll, and
- Minnesota Armory Building Commission receipts and disbursements.

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 Department of Military Affairs in effect at June 30, 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 Department of Military Affairs.

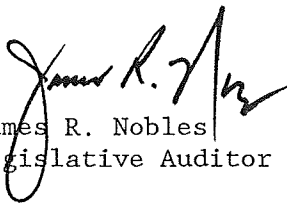
However, we noted certain matters involving the internal control structure and its operation that we reported to the management of the Department of Military Affairs in a separate meeting held on February 12, 1991.

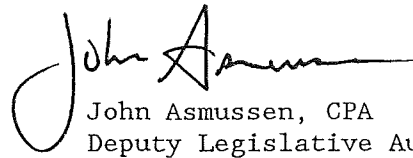
The results of our tests indicate that, with respect to the items tested, the Minnesota Department of Military Affairs complied, in all material respects, with the legal provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us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

Representative Dee Long, Acting Chair
Members of the Legislative Audit Commission
Brig. General Eugene Andreotti
Adjutant General
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This report is intended for the information of the Legislative Audit Commission and management of the Department of Military Affairs. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 15, 1991.

We would like to thank the Minnesota Department of Military Affairs' staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: February 1, 1991

REPORT SIGNED ON: March 8, 1991