

**TRANSPORTATION REGULATION BOARD  
FINANCIAL AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1990**

---

**SEPTEMBER 1991**

---

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

**91-67**



# **TRANSPORTATION REGULATION BOARD**

## **FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1990**

Public Release Date: September 13, 1991

No. 91-67

### **OBJECTIVES:**

- EVALUATE INTERNAL CONTROL STRUCTURE: payroll, and professional/technical services.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

### **CONCLUSIONS:**

We found one area where the internal control structure needed improvement:

- The board does not control employee leave balance adjustments.

We found one area where the board had not complied with finance-related legal provisions:

- Board members and staff made personal long distance telephone calls paid by the board.

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





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

---

Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Richard Helgeson, Chair  
Transportation Regulation Board

Members of the Transportation Regulation Board

**Audit Scope**

We have conducted a financial related audit of the Transportation Regulation Board as of and for the three years ended June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Transportation Regulation Board, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Transportation Regulation Board in effect as of April, 1991.

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 Transportation Regulation Board are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Transportation Regulation Board'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 Transportation Regulation Board 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
- 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, and
- professional/technical services.

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

Our study and evaluation disclosed the condition discussed in finding 1 involving the internal control structure of the Transportation Regulation Board. We consider this condition to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to 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 do not believe the reportable condition described above is a material weakness.

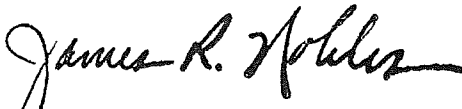
We also noted other matters involving the internal control structure and its operation that we reported to the management of the Transportation Regulation Board in a separate meeting held on June 19, 1991.


Representative Ann Rest, Chair  
Members of the Legislative Audit Commission  
Mr. Richard Helgeson, Chair  
Members of the Transportation Regulation Board  
Page 3

The prior board chair received a severance overpayment of \$341. This overpayment was a result of the retroactive application of Minn. Stat. Section 15A.081, Subd. 9. This law allowed the chair to transfer in 900 hours of sick leave accrued as a result of service at another appointed position. However, an additional 80 hours of sick leave reserve was also recorded which was not in compliance with the law. The chair has agreed to repay the overpayment.

The results of our tests indicate that, except for the issues discussed in the preceding paragraph and finding 2 with respect to the items tested, the Transportation Regulation Board 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 Transportation Regulation Board had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Transportation Regulation Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 13, 1991.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: June 3, 1991

REPORT SIGNED ON: September 6, 1991





# TRANSPORTATION REGULATION BOARD

## 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 prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Brad White, CPA	Auditor-in-Charge

## EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following officials of the Transportation Regulation Board at an exit conference on June 19, 1991.

Richard Helgeson	Chair
Lorraine Mayasich	Board Member
Mary Swanson	Office Manager



# TRANSPORTATION REGULATION BOARD

## I. INTRODUCTION

The Transportation Regulation Board is an independent three member quasi-judicial regulatory board. The board regulates operations of the motor carrier industry within the State of Minnesota. The board was created in 1980 but did not become functional until October 1, 1983 taking over duties previously handled by the Minnesota Public Utilities Commission. Mr. Roger Laufenburger was the original board chair, serving until August 1, 1989 when Mr. Elliot Perovich was appointed. On January 8, 1991, Mr. Richard Helgeson succeeded Mr. Perovich as chair.

Board responsibilities include issuing orders concerning motor carrier authorities and permits, reviewing service adequacy, and determining reasonableness of rates and charges. The Board holds hearings and issues orders in cases brought before it by the Minnesota Department of Transportation or a third party. Operations of the board are financed mainly by state appropriations from the Trunk Highway Fund. Operating activities are accounted for on the statewide accounting system and are subject to the Department of Finance budgeting and accounting requirements.

The Transportation Regulation Board collected and spent the following amounts during the audit period:

	<u>1990</u>	<u>1989</u>	<u>1988</u>
Revenue	<u>\$ 10,476</u>	<u>\$ 8,638</u>	<u>\$ 7,654</u>
Expenditures:			
Employee payroll	\$429,422	\$377,144	\$340,498
Professional services	138,302	135,615	91,389
Other expenditures	<u>66,001</u>	<u>62,930</u>	<u>57,208</u>
Total Expenditures	<u>\$633,725</u>	<u>\$575,689</u>	<u>\$489,095</u>

Source: Statewide Accounting System Reports as of the close of each fiscal year.

# TRANSPORTATION REGULATION BOARD

## II. CURRENT FINDINGS AND RECOMMENDATIONS

### 1. The board does not control employee leave balance adjustments.

Control over corrections to employee leave balances is inadequate. Staff process untimely and improper adjustments and do not obtain independent management authorization. This lack of control increases the potential for undetected errors and irregularities in vacation and sick leave balances.

Staff process untimely leave adjustments. Two recent adjustments were processed for corrections from six months ago.

- One adjustment increased an employee's vacation balance by eight hours and sick leave by three hours. Staff indicate that this correction was for reported leave that was never taken. The employee claimed to work these hours in June, 1990. The time report, however, showed supervisor approval for time worked and leave taken that pay period. No evidence could be provided which indicates that the employee actually worked on those hours reported as leave. A prompt adjustment and better documentation would have resulted in less uncertainty on the need for correction.
- A second adjustment properly reduced an employee's leave balance for leave which was not posted in the pay period taken. Three hours of sick leave and one hour of vacation were originally recorded on the payroll system as regular hours worked in May, 1990, but not corrected until January, 1991.

The payroll clerk prepares and processes leave adjustments without independent review and approval. Management should review the justification and need for any adjustments. The lack of independent authorization increases potential for improper and unauthorized changes to employee leave balances.

### RECOMMENDATIONS

- The board should obtain documentation justifying the need for the leave adjustment, or process a leave balance adjustment for one employee to reduce vacation and sick leave by eleven hours.
- The board should improve control over leave adjustments by timely processing of corrections and independent authorization by a board member.

## TRANSPORTATION REGULATION BOARD

### 2. Staff made personal long distance telephone calls paid by the board.

Certain board members and staff made personal long distance telephone calls using the state's WATS system. These long distance charges violate Minn. Stat. 43A.38, Subd. 4 which prohibit employees from using state time or equipment for private interests. Subdivision 1 defines private interest as a benefit or advantage that is not available to the general public.

We noted personal long distance calls totalling \$369 which one employee and two present board members had made since July 1, 1987. The employee admitted that calls were private in nature and no state business was discussed. Most calls were to family and relatives of the employees during working hours. The board should prohibit personal long distance calls by board members and staff, and closely monitor long distance WATS charges each month for propriety. Staff and board members have paid the board the cost of personal telephone calls.

### RECOMMENDATION

- Staff should be prohibited from making personal long distance calls charged to the board.



# TRANSPORTATION REGULATION BOARD

## STATE OF MINNESOTA

(612) 296-0400

August 29, 1991

254 LIVESTOCK EXCHANGE BUILDING  
100 STOCKYARDS ROAD  
SOUTH ST. PAUL, MINNESOTA 55075

James Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Centennial Office Bldg.  
St. Paul, MN. 55155

Dear Mr. Nobles:

We are in receipt of a report and audit for the Transportation Regulation Board for the three year period ending June 30, 1990. The report was prepared by John Asmussen, Margaret Jenniges, and Brad White, all of your office.

Findings and recommendations are as follows:

1. The Board does not control employee leave balance adjustments.

Recommendation: The Board should obtain documentation justifying the need for the leave adjustment, or process a leave balance adjustment for one employee to reduce vacation and sick leave by eleven hours.

The Board should improve control over leave adjustments by timely processing of corrections and independent authorization by a board member.

**ACTION:** Leave balance adjustment has been processed reducing said employees' vacation leave by three (3) hours and sick leave balance was reduced by eight (8) hours.

In the future, any leave adjustment will be processed within a two-week period. The Chairman or a Board Member will authorize these leave adjustment forms.

2. Staff made personal long distance telephone calls paid by the board.

Recommendation: Staff should be prohibited from making personal long distance calls charged to the Board.

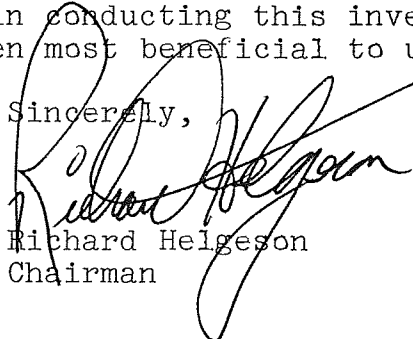
**ACTION:** Staff has been reprimanded and will be further prohibited from making personal long distance calls. Staff has reimbursed the State of Minnesota for these telephone calls.

The Board will closely monitor long distance charges each month for propriety.

We also noted your letter to Elliott Perovich requesting repayment of his severance overpayment. We will notify your office when this repayment has been received.

We thank you for all your effort in conducting this investigation and audit. Your findings have been most beneficial to us.

Sincerely,



Richard Helgeson  
Chairman

RH/ms

Copy - Margaret Jenniges  
Brad White