

DEPARTMENT OF COMMERCE,
ENFORCEMENT AND LICENSING DIVISION
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1990

SEPTEMBER 1991

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

91-69

DEPARTMENT OF COMMERCE ENFORCEMENT AND LICENSING DIVISION

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1990

Public Release Date: September 19, 1991

No. 91-69

OBJECTIVES:

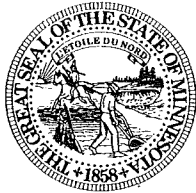
- EVALUATE INTERNAL CONTROL STRUCTURE: Adjustors and insurance license fees; cosmetology license fees; payroll; real estate license fees; and real estate resource and recovery fund grants.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

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

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Bert McKasy, Commissioner
Department of Commerce

Audit Scope

We have conducted a financial related audit of the Department of Commerce, Enforcement and Licensing Division as of and for the three years ending June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Commerce, Enforcement and Licensing Division. We have also made a study and evaluation of the internal control structure of the Department of Commerce, Enforcement and Licensing Division in effect at March, 1991.

The Department of Commerce, Enforcement and Licensing Division is responsible for ensuring that licenses in the regulated industries of insurance, real estate, securities, cosmetology, and others meet the standards of knowledge, training, and conduct to receive and maintain a license. This is accomplished through a process of application and examination of licenses. This division also receives written and oral complaints and requests for information regarding these industries and licenses. For state fiscal year 1990, revenue for these divisions was about \$3,358,000, while expenditures totalled about \$2,964,000.

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 Commerce, Enforcement and Licensing Division are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Commerce, Enforcement and Licensing Division's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Department of Commerce 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:

- adjustors and insurance license fees,
- cosmetology license fees,
- payroll,
- real estate license fees, and
- real estate resource and recovery fund grants.

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 Department of Commerce, Enforcement and Licensing Division, in effect at March 1991, 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 Department of Commerce, Enforcement and Licensing Division.

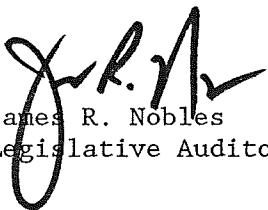
The results of our tests indicate that, with respect to the items tested, the Department of Commerce, Enforcement and Licensing Division, complied, in all material respects, with the provisions referred to in the audit

Representative Ann Rest, Chair
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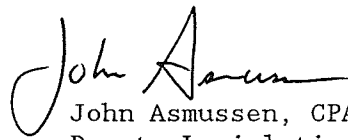
scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Commerce, Enforcement and Licensing Division had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Commerce. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 19, 1991.

We would like to thank the the Department of Commerce staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: June 12, 1991

REPORT SIGNED ON: September 11, 1991