

**MINNESOTA POLLUTION CONTROL AGENCY  
FINANCIAL AUDIT  
FOR THE YEAR ENDED JUNE 30, 1991**

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**DECEMBER 1991**

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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota



# **MINNESOTA POLLUTION CONTROL AGENCY**

## **FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1991**

Public Release Date: December 5, 1991

No. 92-1

### **OBJECTIVES:**

- **EVALUATE INTERNAL CONTROL STRUCTURE:** payroll, Combined Sewer Overflow Abatement grants, Capital Assistance grants, Wastewater Construction grants, Construction Wastewater Facility grants, Municipal Support grants, federal revenue cash management, statutory fines, license fees, and inspection fees.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

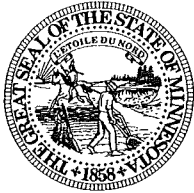
### **CONCLUSIONS:**

We found the internal control structure to be effective.

We found that the Minnesota Pollution Control Agency had complied with 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

Mr. Charles Williams, Commissioner  
Minnesota Pollution Control Agency

**Audit Scope**

We have conducted a financial related audit of the Minnesota Pollution Control Agency for the year ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Pollution Control Agency, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Minnesota Pollution Control Agency in effect as of June 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 transactions of the Minnesota Pollution Control Agency are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Pollution Control Agency'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 Pollution Control Agency 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;
- Combined Sewer Overflow Abatement Grants;
- Capital Assistance Grants;
- Wastewater Construction Grants;
- Construction Wastewater Facility Grants;
- Municipal Support Grants;
- Federal revenue cash management;
- Statutory fines; and
- Permit, license, and inspection fees.

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 Pollution Control Agency in effect at June 30, 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 the transactions of the Minnesota Pollution Control Agency.

We noted certain matters involving the internal control structure and its operation that we reported to the management of the Minnesota Pollution Control Agency at the exit conference held on August 28, 1991.

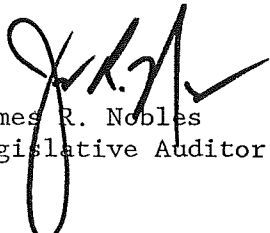
The results of our tests indicate that, with respect to the items tested, the Minnesota Pollution Control Agency complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With

Representative Ann Rest, Chair  
Members of the Legislative Audit Commission  
Mr. Charles Williams, Commissioner  
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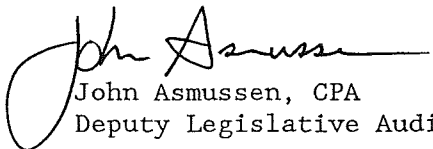
respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Pollution Control Agency had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Minnesota Pollution Control Agency. This restriction is not intended to limit the distribution of this report, which was released as a public document on December 5, 1991.

We thank the Minnesota Pollution Control Agency staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: August 15, 1991

REPORT SIGNED ON: November 27, 1991





MINNESOTA POLLUTION CONTROL AGENCY

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AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Patrick Ryan	Auditor-In-Charge
Mary Annala, CPA	Staff Auditor

EXIT CONFERENCE

The findings and recommendations of this audit were discussed with the following staff on August 28, 1991:

Charles Williams	Commissioner
Cindy Jepsen	Assistant Commissioner
Gordon Wegwart	Director of Administrative Services
John Retzer	Accounting Director



# MINNESOTA POLLUTION CONTROL AGENCY

## I. BACKGROUND INFORMATION

The mission of the Minnesota Pollution Control Agency (MPCA) is to serve the public in the protection and improvement of Minnesota's air, water, and land resources. The agency assesses the state's environmental status, provides regulatory approvals, acts on enforcement and complaints resolution, and implements strategies that will protect and enhance public health and the state's environment. Charles Williams was appointed Commissioner in 1991.

The Legislature also established a board of nine citizens appointed by the Governor to make policy decisions for the MPCA. Members serve four-year, staggered terms, and meet once per month. The agency is organized into one general support division, a regional support office, and four operational divisions: Water Quality, Air Quality, Ground Water and Solid Waste, and Hazardous Waste. Regional offices are located in Brainerd, Detroit Lakes, Duluth, Marshall, and Rochester.

Operations for the MPCA are financed by state appropriations; federal grants; receipts from the sale of licenses, permits, fees, and the assessment of penalties. Expenditures and revenues for fiscal year 1991 are presented below:

<u>EXPENDITURES:</u>	<u>YEAR ENDED JUNE 30, 1991</u>
Payroll	\$25,519,772
State Grants and Aids:	
Combined Sewer Overflow Grants	5,400,000
Capital Assistance Grants	4,744,390
Wastewater Construction Grants	4,370,437
Construction Wastewater Facility Grants	1,369,740
Municipal Support Grants	1,361,195
Other Grants and Aids	4,033,399
Other Expenditures	<u>19,344,379</u>
Total Expenditures	<u>\$66,143,312</u>
 <u>REVENUE:</u>	
Federal Revenue	\$15,985,641
Statutory Fines	5,036,655
Permit, License, and Inspection Fees	4,478,935
Other Revenue	<u>4,420,941</u>
Total Revenue	<u>\$29,922,172</u>

Source: Statewide Accounting System: Managers Financial Report as of September 3, 1991; Estimated/Actual Receipts Report as of August 31, 1991.