

**WORLD TRADE CENTER CORPORATION
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1991**

JULY 1992

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

WORLD TRADE CENTER CORPORATION

FINANCIAL AUDIT JULY 1, 1990 - JUNE 30, 1991

Public Release Date: July 2, 1992

No. 92-39

OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** conference center revenue; corporate revenue; payroll; professional/technical services; purchased services; and rents and leases.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

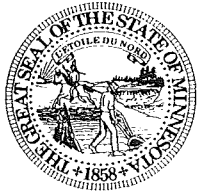
We found the internal control structure to be effective.

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

- The corporation is not adequately processing contractual agreements.

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

FINANCIAL AUDIT DIVISION



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. Lee Berlin, Chair
World Trade Center Board

Mr. Richard Nolan, President
World Trade Center Corporation

Audit Scope

We have conducted a financial related audit of the World Trade Center Corporation as of and 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 World Trade Center Corporation as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Minnesota World Trade Center Corporation in effect at December 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 Minnesota World Trade Center Corporation are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota World Trade Center Corporation'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 World Trade Center Corporation 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:

- conference center revenue,
- corporate revenue,
- payroll,
- professional/technical service,
- purchased services, and
- rents and leases.

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 World Trade Center Corporation in effect at December 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 World Trade Center Corporation.

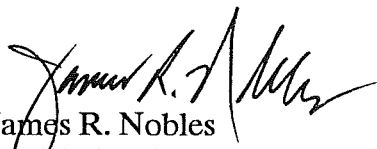
Representative Ann Rest, Chair
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Mr. Lee Berlin, Chair
Mr. Richard Nolan, President
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However, we noted other matters involving the internal control structure that we reported to the management of the Minnesota World Trade Center Corporation at the exit conference held on April 3, 1992.

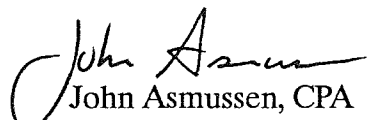
The results of our tests indicate that, except for finding 1, with respect to the items tested, the Minnesota World Trade Center Corporation complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota World Trade Center Corporation 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 World Trade Center Corporation. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 2, 1992.

We would like to thank the Minnesota World Trade Center Corporation staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 20, 1992

Report Signed On: June 25, 1992

World Trade Center

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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
Mary G. L. Jacobson, CPA	Auditor-In-Charge

Exit Conference

The findings and recommendations in this report were discussed with the following staff from the World Trade Center Corporation on April 3, 1992:

Richard Nolan	President
Devin Rice	Managing Director

World Trade Center

Introduction

The World Trade Center Corporation began operations on July 1, 1987. The policy of the corporation is determined by a board of 15 members, which consists of nine public members and six legislators serving as nonvoting members. The corporation president, Richard Nolan, oversees the staff.

The main purpose of the corporation is to promote international trade in Minnesota and to develop, maintain, promote and support world trade center programs and services. This is accomplished through education and training, outreach to other international organizations and telecommunications, and trade information. The corporation, as coordinator of existing international services, works with international associations, cultural, private, and academic institutions. The World Trade Center Corporation also manages the World Trade Conference Center, which is considered a resource center for international trade.

The corporation currently finances its activities primarily through a City of St. Paul loan and receipts generated from the World Trade Conference Center. The corporation received a general fund appropriation of \$800,000 for fiscal year 1991. This appropriation included \$450,000 to be used for the World Assembly in Minnesota. It also received a special appropriation of \$35,000 for the World Export Processing Zone Association international convention. The summary below shows revenues and expenditures of the corporation for the year ended June 30, 1991.

	Fiscal Year <u>1991</u>
Revenues:	
Conference Center Revenue	\$ 438,438
Corporate Revenue	490,801
Other Revenues	<u>50,828</u>
Total Revenues	<u>\$ 980,067</u>
Expenditures:	
Payroll	\$ 671,418
Professional/Technical Services	129,215
Purchased Services	480,937
Rents and Leases	264,628
Other Expenditures	<u>556,493</u>
Total Expenditures	<u>\$2,102,691</u>

Source: Manager's Financial Report for Fiscal Year 1991 as of August 31, 1991. Estimated Actual Receipts Report for Fiscal Year 1991 as of August 31, 1991.

Current Finding and Recommendation

1. The corporation is not adequately processing contractual agreements.

The corporation is not following its established contracting procedures. The corporation is exempt from Minn. Stat. 16B and therefore does not have to follow the contract process as regulated by the Commissioner of Administration. The corporation may enter into contracts or agreements at its own discretion and has developed its own policies and procedures.

During fiscal year 1992, the corporation became involved in a venture to operate a series of free trade conferences. The parties involved in this joint venture were to receive compensation based on the number of conference participants. The corporation paid one individual \$6,030 for marketing the conferences. A company was paid \$19,560 for other related services. There were no contracts prepared which outlined the fiduciary responsibilities of all parties involved. The corporation also paid \$1,305 to an individual for support services and did not prepare an employment agreement. In addition, we could not locate an amendment to another contract. As part of the World Assembly held in October 1990, the corporation hired a company to handle transportation and ground services. The original contract and cost estimates approximated \$25,000. However, the contractor performed more duties which cost an additional \$15,000. The corporation did not amend the contract to provide for these extra costs.

Corporation policy #003 addresses its policy for contract execution. The corporation prepares contractual service agreements for consultant services, professional and technical services and purchased services. Generally, contracts are specific in amount unless the corporation prepares an amendment. A contract provides assurance that a service will be provided as anticipated at the agreed upon cost.

Recommendation

- *The corporation should follow its policies regarding contractual services.*

MINNESOTA

June 22, 1992

WORLD TRADE CENTER

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

Dear Mr. Nobles:

In response to your letter and draft audit dated June 8, 1992, outlined below is our response to your Current Finding and Recommendation:

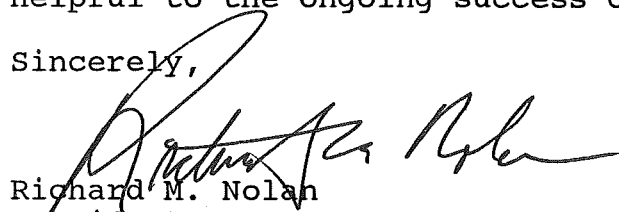
1. The Mexican /U.S. Free Trade Seminar program was a joint venture between the Minnesota World Trade Center Corporation (MWTCC), International Travel Arrangers Inc.(ITA) and 4 midwestern World Trade Centers. A contract between the MWTCC and ITA was drafted and while never executed, did in fact govern the terms of the relationship. The document was not executed because the terms were being re-negotiated as necessitated by conditions and circumstances as the project moved forward. It was always our intention that the agreement be finalized but aspects of the agreement were being negotiated up until the end of the program. In retrospect, it is clear to see that the initial agreement should have been executed and then amended as required. This was an important learning experience for us and a mistake we will not repeat.

2. The employment agreement in the amount of \$1,305 to an individual for office, secretarial and support services was simply an oversight and a mistake we will not repeat.

3. The transportation contract amendment was similarly an oversight and mistake we will not repeat.

On behalf of my staff, I would like to thank Ms. Mary Jacobson for the cooperation she exhibited during and after our audit. Her findings and recommendations on a number of issues have been helpful to the ongoing success of the MWTCC.

Sincerely,



Richard M. Nolan
President

Minnesota World Trade Center Corporation

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