

**BOARD OF BOXING
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

JULY 1992

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

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155
612/296-4708

BOARD OF BOXING

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991

Public Release Date: July 2, 1992

No. 92-40

OBJECTIVES:

- OBTAIN AN UNDERSTANDING OF THE INTERNAL CONTROL STRUCTURE: payroll and license receipts.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

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

- The board needs to reconcile participation licenses to the deposited receipts.

We found no departures from finance-related legal compliance.

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. Scott LeDoux, Chair
Board of Boxing

Mr. James J. O'Hara, Executive Secretary
Board of Boxing

Audit Scope

We have conducted a financial related audit of the Board of Boxing for the three years 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 Board of Boxing.

The Board of Boxing is responsible for the enforcement of rules and regulations governing the sports of boxing, full contact karate, and kick boxing. The board licenses promoters, referees, seconds, and professional boxers. Total financial activity for the board for fiscal year 1991 was \$61,600, of which \$3,800 was license receipts and \$46,000 was payroll.

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 Board of Boxing are free of material misstatements.

We performed tests of the Boxing Board's transactions to obtain reasonable assurance that the board had, in all material respects, administered its operations in compliance with applicable laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Board of Boxing 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

Representative Ann Rest, Chair
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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, and
- license receipts.

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures. We will not express an opinion on the internal control structure taken as a whole due to the limited staff size at the board office.

Conclusions


Our audit was conducted only for the limited purpose described in the Audit Scope section of this letter, and would not necessarily disclose all material weaknesses in the board's system of internal control. We do not express an opinion on the system of internal control of the State Board of Boxing taken as a whole. However, our audit disclosed the issue discussed in Section II, finding 1, which we believe is important and should be addressed by management.

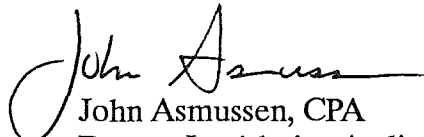
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The results of our tests indicated that, with respect to the items tested, the Board of Boxing complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Board of Boxing 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 Board of Boxing. 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 Board of Boxing for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 26, 1992

Report Signed On: June 25, 1992

Board of Boxing

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Audit Participation

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

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Tony Toscano	Auditor-in-Charge
Melissa Gamble	Auditor

Exit Conference

The finding and recommendation in this report was discussed with the following staff from the Board of Boxing on March 26, 1992:

Gerry Kasprazk	Secretary
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Board of Boxing

Introduction

The State Board of Boxing was established pursuant to Minn. Stat. Sections 341.01. The board consists of seven members, two of whom shall be public members not associated as members of the boxing or karate profession. The board licenses and renews professional and amateur boxers and karate contestants as well as the franchises which promote exhibitions.

The board finances its activities through a general appropriation as well as licensing fees. The fee for a license varies depending whether the licensee is a professional or amateur and the type of license issued.

For the year ended June 30, 1991, the board had total expenditures of \$56,352. Payroll was 84 percent of the total expenditures. The board received total receipts of \$3,776 for fiscal year 1991.

Source: Statewide Accounting System Estimated and Actual Receipts Report as of August Closing of fiscal year.

Statewide Accounting System Managers Financial Report as of August closing of fiscal year.

Board of Boxing

Current Finding and Recommendation

1. The State Board of Boxing needs to reconcile participation licenses to the deposited receipts.

The State Board of Boxing does not reconcile the licenses issued to deposits made on the statewide accounting system. The board should perform a periodic reconciliation to determine if all receipts have been deposited for licenses issued. The information necessary to perform this reconciliation is available to the board. The Department of Commerce deposits the receipts. The Board of Boxing receives a copy of the deposit. The deposit lists the name of the licensee and the revenue source code for the type of license issued. The board should compare the deposits to the ledgers of licenses issued and reconcile differences. A reconciliation such as this would strengthen controls of the receipt process. The reconciliation would assure that all licenses have been paid for and deposited.

Recommendation

- *The State Board of Boxing should reconcile the licenses issued to the receipts deposited.*



STATE OF MINNESOTA

BOARD OF BOXING
133 E. 7th. St.
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TEL. NO. (612) 296-2501

JUNE 19, 1992

James R. Nobles
Legislative Auditor
Centennial Building
St Paul MN 55155

Dear Sir:

In response to your audit report and recommendations to the Board of Boxing, it was presented to the Board members at their June 16, 1992 meeting, and they accepted it.

Secretary Gerry Kasprzak has always compared the deposits to the ledger of licenses issued, and notified the cashier at the commerce department of any changes, but did not write down the deposit number next to the name.

We agree that this is a good idea, and she began to do so, as soon as the auditor, Melissa Gamble recommended it, and will continue this procedure in the future.

Thank You,

A handwritten signature in cursive script that reads "James J. O'Hara".

James J. O'Hara
Executive Secretary
Board of Boxing

JJO'H/gk