

**MINNESOTA AMATEUR SPORTS COMMISSION  
FINANCIAL AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1991**

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**JULY 1992**

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

**92-45**



# SUMMARY

State of Minnesota  
Office of the Legislative Auditor  
Centennial Office Building • St. Paul, MN 55155  
612/296-4708

## MINNESOTA AMATEUR SPORTS COMMISSION

### FINANCIAL AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1991

Public Release Date: July 24, 1992

No. 92-45

#### OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: payroll, Gift Fund expenditures, professional/technical contracts, and printing.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

#### CONCLUSIONS:

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

- The commission needs to improve its review of vendor invoices.

We found that the Minnesota Amateur Sports Commission 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**

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Representative Ann Rest, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Wayne Faris, Chair  
Minnesota Amateur Sports Commission

Members of the Minnesota Amateur Sports Commission, and

Paul Erickson, Executive Director  
Minnesota Amateur Sports Commission

## **Audit Scope**

We have conducted a financial related audit of the Minnesota Amateur Sports Commission for the two 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 Minnesota Amateur Sports Commission, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Minnesota Amateur Sports Commission in effect at February 1992.

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 Amateur Sports Commission are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Amateur Sports Commission'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 Amateur Sports Commission 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

Representative Ann Rest, Chair  
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Paul Erickson, Executive Director  
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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,
- gift fund expenditures,
- professional/technical contracts, and
- printing.

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 conditions discussed in finding 1 involving the internal control structure of the Minnesota Amateur Sports Commission. We consider this condition to be a reportable condition under standards established by the American Institute of

Representative Ann Rest, Chair  
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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 Minnesota Amateur Sports Commission in a meeting held on March 30, 1992.

The results of our tests indicate that, with respect to the items tested, the Minnesota Amateur Sports Commission 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 Amateur Sports Commission 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 Amateur Sports Commission. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 24, 1992.

We thank the Minnesota Amateur Sports Commission and the Department of Trade and Economic Development staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: March 20, 1992

Report Signed On: July 16, 1992





# Minnesota Amateur Sports Commission

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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
Warren Bartz, CPA	Audit Manager
Ken Vandermeer, CPA	Auditor-in-Charge

### Exit Conference

The finding and recommendations in this report were discussed with the following officials of the Minnesota Amateur Sports Commission and the Department of Trade and Economic Development at an exit conference which was held on March 30, 1992:

Paul Erickson	Executive Director, Minnesota Amateur Sports Commission
Judy Charron	Director of Administrative Management, Department of Trade and Economic Development
Cindy Salscheider	Accountant, Department of Trade and Economic Development



# Minnesota Amateur Sports Commission

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## Introduction

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The 1987 Legislature created the Minnesota Amateur Sports Commission (MASC) which operates under Minn. Stat. Chapter 240A. The commission consists of nine voting members, four with experience in promoting amateur sports. It also has two nonvoting members, one from the State House of Representatives and one from the State Senate. the commission appointed Paul Erickson as the executive director of the commission in September 1987. The commission's duties include promoting and developing amateur sports in the state, sponsoring and sanctioning a series of statewide amateur athletic games, and constructing amateur sports facilities.

Minn. Stat. Section 240A.03, Subd. 13 empowers the commission to establish nonprofit corporations and charitable foundations. The commission established a contract with the National Sports Center Foundation to operate the National Sports Center facility in Blaine. The foundation operates the center primarily for the purpose of holding youth-oriented athletic and other nonathletic functions and events.

The center was constructed in January 1990 and is the property of the commission. The foundation is responsible for the operating costs of the facility which houses both the foundation and commission offices. The commission reimburses the foundation for its prorata share of the operating costs according to an agreement established between the two parties. The agreement also defines the terms of the noninterest bearing debt financing provided to the foundation. The foundation is also responsible for certain improvements to the facility.

The foundation's activities are audited by an independent audit firm and are not included in this report. The firm's audit report for the last two years stated that the foundation has a significant working capital deficit and has a net fund deficit that raises substantial doubt about its ability to continue as a going concern.

The Department of Trade and Economic Development perform all administrative services for MASC. The commission financed its operations primarily through the General Fund in fiscal years 1990-1991. It financed land and construction contracts through the Building Fund. It also accepts gift money for amateur sports purposes. Expenditures for fiscal year 1990 and 1991 are shown below:

	<u>1990</u>	<u>1991</u>
Payroll	\$ 310,125	\$293,576
General Operating Expenses Paid From Gifts	381,013	93,448
Professional/Technical Contracts	65,168	45,110
Printing	22,148	25,495
Other Expenditures	<u>527,960</u>	<u>94,036</u>
Total	<u>\$1,306,414</u>	<u>\$551,665</u>

Source: Statewide Accounting System Manager's Financial Reports as of September 1, 1990 and September 3, 1991.

## Current Finding and Recommendation

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### 1. Commission review of vendor invoices needs improvement.

The commission needs to improve its procedure for verifying the accuracy of billings received from affiliated nonprofit organizations. Minn. Stat. Section 240A.03, Subd. 13, empowers the commission to establish nonprofit corporations and charitable foundations. The commission receives invoice billings from the foundations for various services provided or goods purchased. The commission relies on the organizations to bill accurately and does not conduct adequate independent verification of the amounts paid by the organizations.

For example, the commission established a contract with the National Sports Center Foundation to operate the National Sports Center facility. The foundation is responsible for the operating costs of the facility which houses both the foundation and commission offices. Under this agreement, the foundation bills the commission monthly for the actual costs of the operations attributable to the space occupied by the commission employees. Under the contract, these costs are estimated in advance and are based on commission's percentage of square footage times the actual costs for sewer, water, gas, electricity, etc. The foundation submitted invoices totalling \$19,083 over the 18 month period that the MASC was located at the center. These billings averaged \$1,000 each month. However, the commission did not verify the accuracy of the billing documentation from the National Sports Center Foundation prior to approving invoices for payment.

While the contract does list estimated costs, without a review of the actual payment documentation, errors may occur and remain undetected. Our review of the foundation's billing support indicated that only minor discrepancies existed between the actual amounts paid by the foundation and the amounts billed to the commission for its share of operating costs. These minor discrepancies resulted in both overpayments and underpayments of the commission's share of operating costs.

### *Recommendation*

- *The commission should verify the accuracy of support before paying invoices received from foundations or nonprofit organizations.*



MINNESOTA AMATEUR  
SPORTS COMMISSION  
1700 - 105th Avenue N.E.  
Blaine, MN 55434  
Phone: 612-785-5630  
Fax: 612-785-5699

MEMORANDUM

July 9, 1992

TO: Warren Bartz  
Office of the Legislative Auditor  
Centennial Building  
First Floor, South  
St. Paul, MN

FX: 296-4712

FR: Paul Erickson  
Executive Director  
Minnesota Amateur Sports Commission

RE: RESPONSE TO MASC AUDIT DRAFT PAGE

The Minnesota Amateur Sports Commission accepts the finding and intends to amend the MASC/NSC contract to allow for a more efficient system to pay utilities, etc. We will propose utilizing a flat estimated monthly fee with a reconciliation every six months based on a review of the actuals over the six month period. As the billings have now been occurring for 30 months, we have a sufficient knowledge for a more accurate system.

PDE:11