

OFFICE OF ADMINISTRATIVE HEARINGS  
FINANCIAL AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1991

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AUGUST 1992

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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

## OFFICE OF ADMINISTRATIVE HEARINGS

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

Public Release Date: August 28, 1992

No. 92-56

#### OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: user fees and payroll.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS..

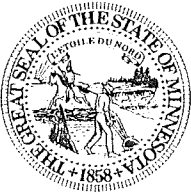
#### CONCLUSIONS:

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**

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

Mr. William Brown, Chief Administrative Law Judge  
Office of Administrative Hearings

## **Audit Scope**

We have conducted a financial related audit of the Office of Administrative Hearings as of and for the three years ended June 30, 1991. The Office conducts workers compensation hearings, as well as rulemaking and contested case hearings under the Minnesota Administrative Procedure Act. Workers' Compensation Special Compensation Fund appropriations and user fees finance agency activities. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Office of Administrative Hearings. We have also made a study and evaluation of the internal control structure of the Office of Administrative Hearings in effect as of May 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 transactions of the Office of Administrative Hearings are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Office of Administrative Hearings' 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 Office of Administrative Hearings 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:

- user fees, and
- payroll.

For 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 Office of Administrative Hearings in effect at May 1992, 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 Office of Administrative Hearings.

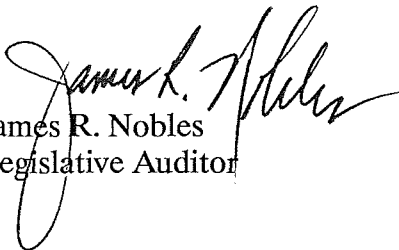
However, we noted certain matters involving the internal control structure and its operation that we reported to the management of the Office Administrative Hearings at the exit conference held on July 1, 1992.

The results of our tests indicate that, with respect to the items tested, the Office of Administrative Hearings 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 Office of Administrative Hearings had not complied, in all material respects, with those provisions.

Representative Ann Rest, Chair  
Members of the Legislative Audit Commission  
Mr. William Brown, Chief Administrative Law Judge  
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This report is intended for the information of the Legislative Audit Commission and management of the Office of Administrative Hearings. This restriction is not intended to limit the distribution of this report, which was released as a public document on August 28, 1992.

We would like to thank the Office of Administrative Hearings staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: June 10, 1992

Report Signed On: August 20, 1992