

**DEPARTMENT OF NATURAL RESOURCES
METRO REGION**

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

SEPTEMBER 1992

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

92-65

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

**DEPARTMENT OF NATURAL RESOURCES
METRO REGION**

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DEPARTMENT OF NATURAL RESOURCES METRO REGION

FINANCIAL AUDIT JULY 1, 1988 - JUNE 30, 1991

Public Release Date: September 25, 1992

No. 92-65

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: payroll; fisheries division expenditures; parks division expenditures; and Fort Snelling State Park revenues.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

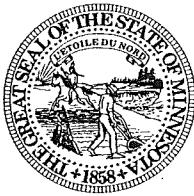
We found two areas where the internal control structure needed improvement:

- Controls over receipts at Fort Snelling State Park need improvement. The park should separate duties, document reconciliations and differences in cash, document voided transactions, and retain certain documents.
- The metro region should keep receiving reports to document the receipt of goods.

We found no departures from finance-related legal provisions.

Contact the Financial Audit Division for additional information.

FINANCIAL AUDIT DIVISION



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. Rodney Sando, Commissioner
Department of Natural Resources

Mr. Dave Leuthe, Acting Regional Administrator
Department of Natural Resources, Metro Region VI

Audit Scope

We have conducted a financial related audit of the Department of Natural Resources Metro Region VI as of and 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 Department of Natural Resources Metro Region VI, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Department of Natural Resources Metro Region VI in effect as of 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 transactions of the Department of Natural Resources Metro Region VI are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Natural Resources Metro Region VI'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.

Scope Limitation

The Department of Natural Resources Metro Region VI was unable to locate employee timesheets for the period July 1, 1988 through January 2, 1989. The region was also unable to locate payroll reports for fiscal year 1989. These missing records prohibited us from performing key tests on payroll transactions for fiscal year 1989. These records were available and tested for fiscal years 1990 and 1991.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Rodney Sando, Commissioner
Mr. Dave Leuthe, Acting Regional Administrator
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Management Responsibilities

The management of the Department of Natural Resources Metro Region VI 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:

- employee payroll,
- Fisheries Division expenditures,
- Parks Division expenditures, and
- Fort Snelling State Park revenues.

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.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Rodney Sando, Commissioner
Mr. Dave Leuthe, Acting Regional Administrator
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Conclusions

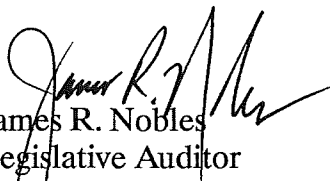
Our study and evaluation disclosed the conditions discussed in findings 1 and 2 involving the internal control structure of the Department of Natural Resources Metro Region VI. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified 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 believe none of the reportable conditions described above is a material weakness.

The results of our tests indicate that, except for the issue discussed in finding 2 and the missing payroll records described above, with respect to the items tested, the Department of Natural Resources Metro Region VI 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 Department of Natural Resources Metro Region VI 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 Department of Natural Resources Metro Region VI. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 25, 1992.

We would like to thank the Department of Natural Resources Metro Region VI staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 7, 1992

Report Signed On: September 16, 1992

Department of Natural Resources Metro Region VI

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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 Annala, CPA	Auditor-in-Charge
Susan Rumpca, CPA	Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Department of Natural Resources Metro Region VI at an exit conference on May 22, 1992:

Dave Leuthe	Acting Regional Administrator
Larry Schmitz	Regional Business Manager
John Bouthilet	DNR Central Office, Accounting Supervisor

Department of Natural Resources Metro Region VI

Introduction

The Department of Natural Resources (DNR) has six regional offices throughout Minnesota. The Region VI office of the DNR is located in St. Paul. Currently, there are six DNR divisions: Forestry, Wildlife, Fisheries, Parks, Enforcement, and Waters; one special unit of Trails and Waterways; and various support services that are administered through the metro region VI office. Within the seven county metropolitan area of Minnesota are offices and personnel to administer the various division programs. The division office supervisors report to the regional division directors at the metro region VI office. The regional division directors report to the central office in St. Paul for program matters. There is also a regional administrator at the metro region VI who oversees the general administrative matters for the various divisions and the business office.

The Department of Natural Resources Metro Region VI revenues and expenditures for the three fiscal years ended June 30, 1991 are as follows:

	<u>1991</u>	<u>1990</u>	<u>1989</u>
Expenditures:			
Payroll	\$4,575,027	\$3,905,558	\$3,478,810
Fisheries Division	178,431	217,911	177,860
Parks Division	339,195	344,324	264,454
Other	<u>839,830</u>	<u>954,677</u>	<u>777,601</u>
Total Expenditures	<u>\$5,932,483</u>	<u>\$5,422,470</u>	<u>\$4,698,725</u>
Revenue:			
Fort Snelling State Park	\$ 250,511	\$ 223,663	\$ 211,275
Other	<u>348,148</u>	<u>283,500</u>	<u>287,592</u>
Total Revenue	<u>\$ 598,659</u>	<u>\$ 507,163</u>	<u>\$ 498,867</u>

Sources: Statewide Accounting Managers Financial Reports dated September 3, 1991; September 11, 1990; and September 4, 1989. Department of Natural Resources Summary of Regional Receipts.

Current Findings and Recommendations

1. Controls over receipts at Fort Snelling State Park need improvement.

Fort Snelling State Park is not controlling receipts in several respects. The park has not adequately documented voids, separated duties, documented reconciliations, nor documented overages and shortages of cash. In addition, the park has not maintained certain receipts documentation. These control weaknesses are exposing the park's receipts to an unnecessarily high risk of loss.

Park employees do not properly investigate and document voided transactions. When cashiers make mistakes on the cash register, they void the transactions and enter the correct information. Voided transactions are sensitive transactions because they document a difference between cash recorded and cash deposited. The park manager or assistant should review and authorize these transactions.

One park employee performs cashiering duties, reconciliation duties, and depositing duties. The park has a limited number of staff available to adequately separate duties. However, no one else reviews the cash reports, deposits, or reconciliations. Errors or irregularities could occur and remain undetected because the park employee performs incompatible accounting duties and no independent person reviews the work. The park manager or assistant should review the reconciliations and deposits.

Employees do not properly document the reconciliations among the cash register tapes, cash received, and physical inventory counts. In addition, park employees do not document differences in deposits. Three of the 19 deposits tested contained differences between the sales, amount collected, and amount deposited:

- One deposit totaled \$469 more than the amount of sales reported.
- One deposit was \$127 less than the register tapes and inventory records reported.
- One deposit was \$68 less than the register tapes but equal to the inventory record.

Park employees did not investigate and resolve these differences.

Finally, the park did not keep certain documents supporting the receipt transactions. Park employees were unable to locate some cash register tapes for the audit period and some deposit receipts for the current fiscal year. These records provide evidence of the cash collected and the cash deposited. Park employees should keep these records for the time specified on the records retention schedule.

Department of Natural Resources Metro Region VI

Recommendations

- *Fort Snelling State Park should improve internal controls over receipts by:*
 - *documenting voided transactions,*
 - *ensuring that an adequate separation of duties exists,*
 - *documenting reconciliations and differences in cash, and*
 - *retaining documents relating to the collection of receipts.*

2. Internal controls over purchases need improvement.

The region does not adequately document the receipt of goods. Department of Finance operating policy and procedure 06:05:01 requires that receiving reports have a signature and a date. Good internal controls require a packing slip, bill of lading, or other type of receiving documentation to record the receipt of goods. Receiving reports provide an effective audit trail to be sure that the region made disbursements for goods actually received.

Recommendation

- *The region should keep receiving reports on file to document the receipt of goods and to provide a comparison with invoices.*



STATE OF
MINNESOTA
DEPARTMENT OF NATURAL RESOURCES

500 LAFAYETTE ROAD, ST. PAUL, MINNESOTA 55155-4037

OFFICE OF THE
COMMISSIONER

DNR INFORMATION
(612) 296-6157

September 11, 1992

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

Dear Mr. Nobles:

The purpose of this letter is to outline the actions to be taken to resolve the audit findings in the recently concluded audit of the Department of Natural Resources' Metro Region VI.

RECOMMENDATION #1: The Division of Parks and Recreation has receipt and deposit procedures in place that include internal controls over receipts. The Division's Business Manager has re-emphasized those procedures to the entire parks system (see the attached memo).

Person Responsible: Bill Brinker
Implementation Date: Implemented

RECOMMENDATION #2: The Department of Natural Resources' Procedure NR:04:04 requires that receipt of goods or services be properly documented by signing the invoice or packing slip. The Region VI Business Manager now requires such evidence of receipt as part of the bill-paying process and will not pay without it (see the attached memo).

Person Responsible: Larry Schmitz
Implementation Date: Implemented

Yours truly,

Rodney W. Sandoe
Rodney W. Sandoe
Commissioner

Attachments

cc: Margaret Jenniges
Eugene Gere
Al Yozamp
Dave Luethe
Bill Morrissey
Larry Schmitz
Bill Brinker
John Bouthilet

DEPARTMENT OF NATURAL RESOURCES
Division of Parks & RecreationState of Minnesota
OFFICE MEMORANDUM

Date: September 9, 1992

To: State Park Managers

From: Bill Brinker
Business Manager

WAB

Phone: (612) 296-2760

Subject: Controls Over State Park Receipts

Recent Legislative Audit Reports have indicated several problems with internal controls over receipts at State Parks. The following recommendations should be followed in handling receipts at your park:

- 1) Voided cash register transactions should be reviewed and approved by the Park Manager or Assistant Park manager.
- 2) Cash Register tapes should be reconciled to actual receipts. This serves as an important security check and aids in detecting possible errors. These weekly reconciliations should be documented and kept on file at the park for audit purposes. I have attached reconciliation procedures, along with a reconciliation form that may be used (these procedures/forms also are on pages 3-4 of your Fiscal Handbook). Please note that overages, shortages and voids should be documented in the discrepancies section of the reconciliation form. The overage/shortage information then is recorded in the Park Change Fund section of the Weekly Receipts Report.
- 3) Receipts must be deposited in accordance with the established State Park Deposit schedule for each park. (See Appendix A of the Fiscal Procedures Handbook for the schedule for your park.)
- 4) The Park Manager or Assistant Manager should be reviewing and approving Weekly Receipts Reports in order to establish an adequate segregation of duties and to reduce the risk of errors or irregularities occurring without timely detection.

If you have any questions, please call me.

mm

cc: State Park Regional Managers
St. Paul Managers
Al Yozamp
John Bouthilet
Cari Oberstar
Diane Sapletal

REGISTER TAPES
RECONCILIATION PROCEDURES

Objective: To formalize procedures in those parks that are equipped with cash registers so that cash register tapes are properly reconciled to the actual cash. Procedures for the handling of miscellaneous items not normally run through the register are also included.

This reconciliation should be reviewed by a different individual than the one who prepared the State Park Deposit Report (NA-02539).

<u>STEP ACTION</u>	<u>RESPONSIBILITY</u>
1. LIST THE TAPE REGISTER TOTALS ON THE RECONCILIATION FORM.	PARK PERSONNEL
2. LIST ANY MISCELLANEOUS RECEIPTS SUCH AS FEE DEPOSITS OR BILLED ITEMS NOT RUN THROUGH THE CASH REGISTER. THE DATE AND CHECK NUMBER OF THESE ITEMS SHOULD BE NOTED.	PARK PERSONNEL
3. ADD UP THE REGISTER TOTAL.	PARK PERSONNEL
4. COUNT THE CASH IN THE REGISTER, THE CREDIT CARDS, AND ANY OTHER RECEIPTS, LIST THEM ON THE RECONCILIATION FORM AND TOTAL THEM.	PARK PERSONNEL
5. COMPARE THE TAPE AND ADDITIONAL RECEIPTS TOTAL TO THE ACTUAL CASH RECEIPTS TOTAL AND NOTE ANY DIFFERENCES.	PARK PERSONNEL
6. AFTER ALL DIFFERENCES ARE ACCOUNTED FOR, THE RECONCILED TOTAL SHOULD BE COMPARED TO THE ACTUAL INVENTORY TO DETERMINE IF THEY MATCH. ALL DIFFERENCES SHOULD BE NOTED AND RECONCILED.	PARK PERSONNEL
7. AT THE END OF EACH WEEK, THE RECONCILED TOTALS SHOULD BE USED TO PREPARE THE WEEKLY RECEIPTS REPORT (NA-02417)	PARK PERSONNEL

FOR THOSE PARKS WITHOUT A CASH REGISTER

IN LIEU OF CASH REGISTER TAPES, THE PARK WILL USE THE SUBSIDIARY RECORDS THAT ARE USED TO PREPARE THE QUARTERLY RECEIPTS REPORT (NA-02541).

REGISTER TAPE RECONCILIATION

PARK NAME: _____

DATE: _____

REGISTER TOTALS	
REG ANNUAL	
SPEC ANNUAL	
REG DAILY	
SPEC DAILY	
CAMPING	
OTHER PERMITS	
PROPERTY RENT	
EQUIP RENT	
WOOD/ICE/ETC	
SOUVENIRS	
SKI ANNUAL	
SKI DAILY	
SKI 3 YEAR	
MISC RECEIPTS	
REGISTER TOT	

BILLS TOTAL:

\$ 1 _____

\$ 5 _____

\$ 10 _____

\$ 20 _____

\$ _____

\$ _____

TOTAL \$ _____

CHANGE TOTAL:

1 ¢ _____

5 ¢ _____

10 ¢ _____

25 ¢ _____

50 ¢ _____

TOTAL \$ _____

RECEIPTS	
CHECK TOTAL	
BILL TOTAL	
CHANGE TOTAL	
CREDIT CARD TOT	
RECEIPTS TOTAL	

REGISTER TOTAL	
RECEIPTS TOTAL	
DIFFERENCE	

DISCREPANCIES:

REVIEWED BY: _____

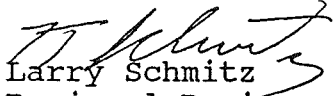
DEPARTMENT : Natural Resources
Metro Region

STATE OF MINNESOTA

Office Memorandum

DATE : June 1, 1992

TO : Regional Supervisors
Area/Park Supervisors

FROM : 
Larry Schmitz
Regional Business Manager

PHONE : 772-7983

SUBJECT : Receiving Reports

Recently, Metro Region had its regular audit from the Office of the Legislative Auditor. One of the audit findings was that operating units are not always following DNR Procedure NR:04:04 when receiving goods or services. This procedure requires that receipt of goods or services be documented either by signing the invoice or the packing slip, if available. This signature is in addition to the signature on the disbursement coding block.

Effective immediately the business office will begin looking for a signature on the invoice indicating receipt of the goods or services billed for. Please contact me or Glen if there are any problems or questions.

cc John Bouthilet
Glen Gorsetman