
OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR

FINANCIAL AUDIT

**FOR THE TWO CALENDAR YEARS ENDED DECEMBER 31,
1992**

JUNE 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-28

SUMMARY

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

OFFICE OF THE GOVERNOR AND LIEUTENANT GOVERNOR

FINANCIAL AUDIT FOR THE TWO CALENDAR YEARS ENDED DECEMBER 31, 1992

Public Release Date: June 4, 1993

No. 93-28

OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** Payroll, fees and other fixed costs, contracts, travel, Governor's special expense account, Lieutenant Governor's special expense account, and Governor's residence user account.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

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

- The Governor paid for unoccupied hotel rooms reserved for the Midwestern Governor's Conference. We recommended that a coordinator should track all reservations and contracts made for future special events.

We found no departures from finance-related legal provisions.

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



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

The Honorable Arne Carlson
Governor of Minnesota

The Honorable Joanell Dyrstad
Lieutenant Governor of Minnesota

Audit Scope

We have conducted a financial related audit of the Office of the Governor and Lieutenant Governor as of and for the two calendar years ended December 31, 1992. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Office of the Governor and Lieutenant Governor, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Office of the Governor and the Lieutenant Governor in effect as of December 31, 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 Office of the Governor and the Lieutenant Governor are free of material misstatements.

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

- payroll,
- fees and other fixed costs,
- contracts,
- travel,
- Governor's special expense account,
- Lieutenant Governor's special expense account, and
- Governor's residence user account.

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 Office of the Governor and the Lieutenant Governor. 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

Senator Phil Riveness, Chair
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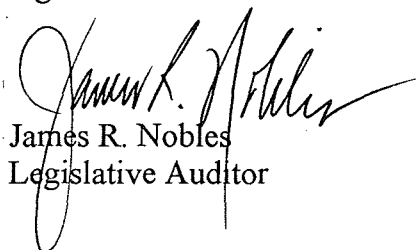
being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we reported to the management of the Office of the Governor and the Lieutenant Governor at the exit conference held on April 16, 1993.

The results of our tests indicate that, with respect to the items tested, the Office of the Governor and the Lieutenant Governor 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 the Governor and the Lieutenant Governor 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 Office of the Governor and the Lieutenant Governor. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 4, 1993.

We thank the Office of the Governor and Lieutenant Governor staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 26, 1993

Report Signed On: May 28, 1993

Office of the Governor and Lieutenant Governor

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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
Lori Pellicci, CPA	Auditor-In-Charge
Kari Irber, CPA	Staff Auditor
Judy Hunt, CPA	Staff Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Office of the Governor and the Lieutenant Governor on April 16, 1993:

Edward G. Stringer	Chief of Staff
Marcia Farinacci	Director of Operations
John Pemble	Accounting Director

Office of the Governor and Lieutenant Governor

Introduction

The Office of the Governor and the Lieutenant Governor were established as part of the executive branch of state government by Article V of the State Constitution and operate under Minn. Stat. Chapter 4. The Governor and Lieutenant Governor are elected jointly for a four year term which begins the first Monday in January. As chief executive, the Governor is responsible for the general direction and supervision of the affairs of the state. Specifically, he is responsible for the administration of state government, development of legislative proposals, appointments, review of legislation, and preparation of comprehensive long-range plans for state growth. The Lieutenant Governor's chief duty is to assist the Governor in carrying out the functions of the executive branch. The Governor has also delegated several other duties to the Lieutenant Governor.

Governor Arne Carlson and Lieutenant Governor Joanell Dyrstad, were elected November 6, 1990, and took office in January 1991. Most activities of the Office of the Governor and the Lieutenant Governor are financed through General Fund appropriations. Because the activities of the Lieutenant Governor are included in the appropriations to the Governor, we will show the activities of both offices in one report. To achieve continuity between changes in governors, the accounting director is an employee of the Department of Administration but is paid from the Governor's appropriations. In addition, the Governor also utilizes employees and resources of other state agencies in special situations. Such usage is discussed further in finding 1. The summary below shows financial activity from January 1, 1991 through December 31, 1992 for the office.

	<u>Year Ended December 31</u>	
	<u>1991</u>	<u>1992</u>
<u>Revenues</u>		
Governor's Residence User Account	\$ 13,702	\$ 28,730
Other Revenue	<u>69,597</u>	<u>25,974</u>
Total Revenues	<u>\$ 83,299</u>	<u>\$ 54,704</u>
<u>Expenditures</u>		
Payroll	\$2,244,289	\$2,228,069
Fees and other fixed costs	643,222	139,445
Contracts	90,616	507,680
Travel (Note 1)	66,000	56,063
Special Expense Accounts	19,491	18,948
Governor's Residence User Account	31,923	26,543
Other Expenditures	<u>554,739</u>	<u>568,965</u>
Total Expenditures	<u>\$3,650,280</u>	<u>\$3,545,713</u>

Office of the Governor and Lieutenant Governor

Note 1: The Department of Trade and Economic Development financed Governor Carlson's trip to the Far East for a trade mission in November 1992. The cost of the trip for the Governor was \$5,557. The first lady's costs of \$1,824 for the trip, which were paid from the business development account in the Gift Fund, are included in other expenditures on the financial schedule.

Source: Statewide Accounting System Manager's Financial Report as of June 30, 1991, September 5, 1992, and December 31, 1992; and Estimated/Actual Receipts Reports as of December 31, 1990, June 30, 1991, June 30, 1992, and December 31, 1992. (The amounts were adjusted to be shown on a calendar year basis.)

Current Finding and Recommendation

1. The Governor paid for unoccupied hotel rooms reserved for the Midwestern Governor's Conference.

The office had to pay for 15 room reservations which were not needed, but were never cancelled. Minnesota was to be the host state for the Midwestern Governor's Conference in October 1992. Many parties were involved in planning the conference, which was to be financed by contributions from the private sector. The planning committee cancelled the conference approximately ten days before the scheduled start date. However, no one cancelled the rooms reserved for additional security officers. The cost of these 15 unoccupied rooms was \$1,495 for one night. The hotel insisted on being paid because it claimed to be full for the night and could have rented the rooms to other customers.

A number of parties participated in the planning conference. The Midwest Governor's Association in Chicago negotiated lodging and other accommodations with the host hotel, but not with the hotel for the additional security officers. An employee from the Minnesota Planning Agency organized the planning committee involving corporate leadership. The employee, acting as coordinator, also made many arrangements for the conference. However, the 15 security rooms were originally rented by a Department of Public Safety employee in the name of the Governor. All contracts and reservations for the conference were cancelled except for these 15 rooms.

Recommendation

- *A coordinator should track all reservations and contracts made for future special events.*



STATE OF MINNESOTA

OFFICE OF THE GOVERNOR
130 STATE CAPITOL
SAINT PAUL 55155

ARNE H. CARLSON
GOVERNOR

May 21, 1993

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

Dear Mr. Nobles:

Thank you for the opportunity to respond to the finding and recommendation contained in your draft audit report for the two years ending December 31, 1992.

We in the Governor's office clearly understand our responsibility to establish and observe procedures designed to assure internal control of fiscal activities.

Finding

The Governor paid for unoccupied hotel rooms reserved for the Midwestern Governor's Conference.

Recommendation: A coordinator should track all reservations and contracts made for future special events.

Response: We agree with this recommendation and have begun implementation by assigning both our Operations Director and Administrative Services Director to all committees formed to assist the Governor's office with the planning of special events. The Residence Manager will continue to coordinate events at the Governor's Residence.

We enjoyed working with your staff. Again, thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward C. Stringer".

Edward C. Stringer
Chief of Staff