

MINNESOTA DEPARTMENT OF TRANSPORTATION

DISTRICT 3A - BRAINERD and DISTRICT 3B - ST. CLOUD

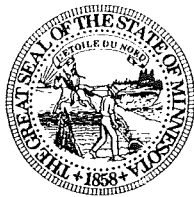
FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1992

SEPTEMBER 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-48



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

Mr. James N. Denn, Commissioner
Department of Transportation

Mr. Don Raisanen, District Engineer
Department of Transportation - District 3A, Brainerd

Mr. Rick Arnebeck, Area Maintenance Engineer
Department of Transportation - District 3B, St. Cloud

Audit Scope

We have conducted a financial related audit of the Department of Transportation, Districts 3A and 3B, as of and for the three years ending June 30, 1992. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Transportation, Brainerd and St. Cloud Districts, as discussed in the Background. We have also made a study and evaluation of the internal control structure of the Department of Transportation, Districts 3A and 3B in effect as of April 1993.

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 Department of Transportation, Districts 3A and 3B are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Transportation, Districts 3A and 3B's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Department of Transportation, Districts 3A and 3B is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, and contracts. 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,
- consumable inventory, and
- supplies.

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

In our opinion, the internal control structure of the Department of Transportation Brainerd and St. Cloud Districts in effect at April, 1993, 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 transactions of the Department of Transportation Brainerd and St. Cloud Districts.

We noted certain matters involving the internal control structure and its operations that we reported to the management of the Department of Transportation, Districts 3A and 3B, at the exit conferences held on May 21 and June 4, 1993.

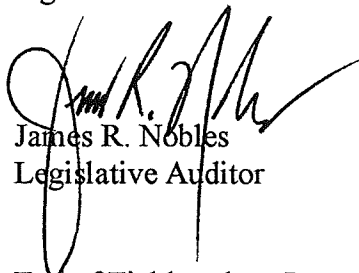
The results of our tests indicate that, with respect to the items tested, the Department of Transportation, Districts 3A and 3B, complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing came

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Page 3

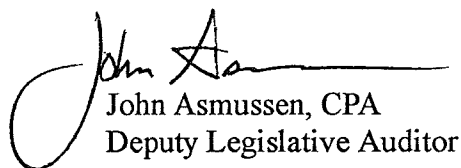
to our attention that caused us to believe that the Department of Transportation, Districts 3A and 3B had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Transportation, Districts 3A and 3B. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 3, 1993.

We thank the Department of Transportation, Districts 3A and 3B staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 4, 1993

Report Signed On: August 25, 1993

Department of Transportation Districts 3A and 3B

Background

The Minnesota Department of Transportation (Mn/DOT) has established the Brainerd office as part of a nine district system. The district offices provide for the construction and maintenance of state trunk and interstate highways. The district is divided into two areas: the Brainerd office is an "A" district office, with a subdistrict "B" office located in St. Cloud. The district engineer directs the entire district operation, with the St. Cloud subdistrict under the direct supervision of the area maintenance engineer. Both locations direct maintenance and construction operations. A state sign shop is also based at St. Cloud. There are 20 truck stations located within the district.

Both the Brainerd and St. Cloud maintenance buildings operate inventory centers. Stock items include supplies, materials, and fuels used by highway maintenance, shop, and garage staff housed in each facility. The truck stations throughout the district also have a limited amount of inventory and stockpile materials on hand. The April 30, 1993 inventory valuations for the Brainerd and St. Cloud districts, including truck stations, were \$424,668 and \$440,199 respectively.

Selected Fiscal Year 1992 expenditures were as follows:

| <u>Activity</u> | <u>Brainerd</u> | <u>St. Cloud</u> | <u>Totals</u> |
|----------------------|---------------------|--------------------|---------------------|
| Payroll | \$ 8,890,256 | \$5,981,890 | \$14,872,146 |
| Supplies & Materials | \$ 1,357,102 | 1,981,616 | \$ 3,338,718 |
| Other | <u>619,251</u> | <u>482,343</u> | <u>1,101,594</u> |
| Total | <u>\$10,866,609</u> | <u>\$8,445,849</u> | <u>\$19,312,458</u> |

Source: Managers Financial Report as of September 6, 1992.