

METROPOLITAN AIRPORTS COMMISSION
FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1992

OCTOBER 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-52

METROPOLITAN AIRPORTS COMMISSION

FINANCIAL AUDIT FOR THE YEAR ENDED DECEMBER 31, 1992

Public Release Date: October 1, 1993

No. 93-52

OBJECTIVES:

- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS, INCLUDING CONSIDERING WHETHER FINANCIAL ACTIVITIES WERE CONDUCTED IN A REASONABLE AND PRUDENT MANNER FOR A PUBLIC ENTITY.
- REVIEW INTERNAL CONTROL STRUCTURE POLICIES AND PROCEDURES IN THE FOLLOWING CATEGORIES: payroll, contracts, leases, and commissioner per diems and expenses.

CONCLUSIONS:

We found no departures from finance-related legal provisions.

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

- Payroll functions and duties over temporary employees within MAC's maintenance department are inadequately separated.

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

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

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Hugh Schilling, Chair
Metropolitan Airports Commission

Members of the Metropolitan Airports Commission

Mr. Jeffrey Hamiel, Executive Director
Metropolitan Airports Commission

Audit Scope

We have conducted a financial related audit of selected financial activities of the Metropolitan Airports Commission as of and for the year ended December 31, 1992. Specifically, we reviewed the Commission's contracts, leases, payroll, and commissioner per diems and expenses.

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 Metropolitan Airports Commission, are free of material misstatements.

We performed tests of the Metropolitan Airports Commission's transactions to obtain reasonable assurance that the Commission had, in all material respects, administered its programs in compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Metropolitan Airports Commission is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws and regulations. 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;

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- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the Metropolitan Airports Commission's accounting system in accordance with applicable 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:

- commissioner per diems and expenses,
- payroll,
- leases, including traffic, concessions, and rentals, and
- professional and operating service contracts.

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. To achieve this objective, we reviewed selected financial policies and practices in effect during the audit period. Our review was more limited than would be necessary to express an opinion on the Metropolitan Airports Commission's system of internal accounting control taken as a whole. We also considered whether the Metropolitan Airports Commission's financial activities related to these categories were conducted in a reasonable and prudent manner for a public entity.

Work of Other Auditors

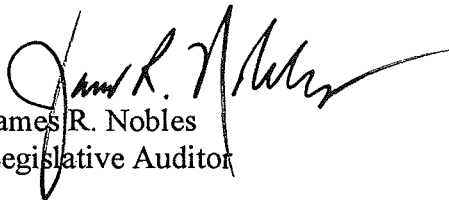
The Metropolitan Airports Commission contracted with a certified public accounting firm to conduct a financial statement audit of the Commission's financial activity for the year ending December 31, 1992. The firm issued an unqualified audit opinion. We reviewed the auditor's workpapers and relied on their work, where appropriate, in determining the extent of our testing.

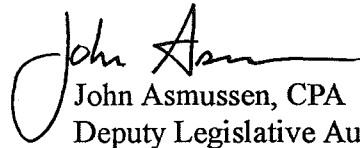
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Conclusions

The results of our tests indicate that, except for the issues discussed in finding 1, with respect to the items tested, the Metropolitan Airports 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 Metropolitan Airports 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 Metropolitan Airports Commission. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 1, 1993.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 18, 1993

Report Signed On: September 23, 1993

Metropolitan Airports 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
Thomas Donahue, CPA	Audit Manager
Charlie Gill	Auditor-in-Charge
Jean Mellett, CPA	Auditor
Rhonda Regnier, CPA	Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Metropolitan Airports Commission on July 8, 1993:

Jeffrey Hamiel	Executive Director
Denise Kautzer	Director of Finance

Metropolitan Airports Commission

Introduction

The Legislature created the Metropolitan Airports Commission (MAC) as a public corporation in 1943 to develop and operate regional airport facilities. The commission is organized, structured and administered as provided in Minn. Stat. Sections 473.601 to 473.679. The commission consists of 15 commissioners. The Governor appoints eight commissioners from designated districts within the metropolitan area and four commissioners representing the greater Minnesota area. The mayors of Saint Paul and Minneapolis also have seats on the commission. The Governor also appoints the chairperson of the commission. The current chairperson, Hugh Schilling, was appointed on January 23, 1991. The commissioners have the responsibility to determine and establish the corporation's policy in the fulfillment of its statutory responsibilities. The corporation operates through various committees of the commission, consistent with commission policies, and makes recommendations to the commission for action.

In addition to the Minneapolis/St. Paul International Airport, MAC owns and operates the following six reliever airports:

- St. Paul Downtown
- Flying Cloud
- Crystal
- Anoka County/Blaine
- Lake Elmo
- Airlake

MAC has the authority to levy a tax on property in the metropolitan area, but has not done so since 1969. MAC operating revenues are generated from user fees established for various facilities and services provided at all commission airports. During 1992, MAC had operating revenues of \$65.1 million of which \$62.7 million was from traffic, concessions, and rentals. MAC had operating expenses of \$63.2 million of which \$10.7 million was for professional and operating services. The MAC's total payroll for the year ended December 31, 1992 was \$16,394,124. Commissioner per diems and expenses were approximately \$55,600.

Source: The MAC Comprehensive Annual Financial Report for the year ended December 31, 1992 and internal MAC reports.

Current Findings and Recommendations

1. Payroll functions and duties over temporary employees within MAC's maintenance department are inadequately separated.

Payroll duties over temporary employees within the MAC's maintenance department are controlled by one person. This individual hires temporary employees, completes timesheets for some employees, signs employee timesheets on behalf of supervisors, submits timesheets to the payroll department, and distributes the checks. When the payroll department receives timesheets for employees who are not currently enrolled on the payroll system, payroll staff complete forms to enroll them. This process bypasses MAC's human resource department which should perform the personnel function. As a result, the human resource department did not have current employment information on file for some temporary maintenance employees, such as MAC's payroll enrollment forms and W-4s. Personnel and payroll duties need to be separated to ensure the propriety of employees added to the payroll.

Recommendations

- *MAC should strengthen its control over the payroll personnel functions currently affecting temporary employees within its maintenance department. Specifically:*
 - *The Human Resources Department should complete all forms to enroll temporary maintenance employees on the payroll system and maintain current personnel information.*
 - *Supervisors should sign employee timesheets.*
 - *The individual who hires, approves timesheets and submits them to payroll staff should not distribute checks.*

METROPOLITAN AIRPORTS COMMISSION

Minneapolis-Saint Paul International Airport

Lindbergh Terminal, Room 325 • Saint Paul, MN 55111

Phone (612) 726-5555 • Fax (612) 726-5527



Office of Airport Director

September 20, 1993

Mr. James Nobles
Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Mr. Nobles:

We would like to thank your staff for bringing their concerns to our attention. The MAC is always looking for ways to improve its business processes. Clearly, control over all employees' personnel and payroll information is critical, regardless of the employees' full time or temporary status.

The temporary maintenance staff, noted in your report, perform an important role in our snow removal process. They are hired, often under emergency conditions, to manually clear pedestrian walk ways after heavy snowfalls. These individuals must be available upon short notice, and at odd hours of the day. While small in number, they provide an important service, helping to ensure travelers' safety. Based on your findings, the maintenance personnel procedures have been clarified to ensure that emergency staffing situations are addressed. We believe that strong internal controls are essential to every aspect of MAC's business. It should be noted that we are also very proud of the work performed by our snow removal teams. MAC has one of the most respected airport snow removal programs in the world, winning many awards for its effectiveness.

The Finance Department and Field Maintenance staff have worked together to improve the payroll procedures for temporary maintenance staff as follows:

- Personnel will complete all enrollment forms for all employees and maintain all personnel information on the payroll system. There will be no exception for any temporary maintenance staff.
- Field Maintenance supervisors will sign off on work schedules which note employee rosters.
- All employees will sign their own time sheets.

The Metropolitan Airports Commission is an affirmative action employer.

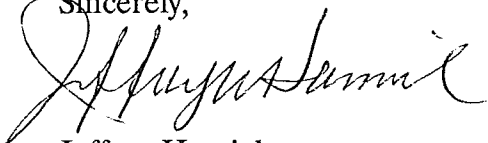
Reliever Airports: AIRLAKE • ANOKA COUNTY/BLAINE • CRYSTAL • FLYING CLOUD • LAKE ELMO • SAINT PAUL DOWNTOWN

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- Once completed by the employees, the operations clerk will review and sign employees' timesheets.
- The payroll clerk will complete processing of the payroll.
- Checks will be distributed to Field Maintenance staff by supervisors.

We believe that these steps will address your concerns regarding the temporary maintenance staff payroll.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeffrey Hamiel".

Jeffrey Hamiel
Executive Director