

POLLUTION CONTROL AGENCY

FINANCIAL AUDIT

FOR THE YEAR ENDED JUNE 30, 1993

JANUARY 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-01



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. Charles Williams, Commissioner
Minnesota Pollution Control Agency

Audit Scope

We have conducted a financial related audit of selected financial programs of the Minnesota Pollution Control Agency for the year ended June 30, 1993. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Pollution Control Agency, as discussed in the Background Information section. We have also made a study and evaluation of the internal control structure for these financial activities of the Minnesota Pollution Control Agency in effect as of June 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 transactions of the Minnesota Pollution Control Agency are free of material misstatements.

As part of our study and evaluation of the internal control structure of selected programs, we performed tests of the Minnesota Pollution Control Agency'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 Minnesota Pollution Control Agency 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 into the following categories:

- Combined Sewer Overflow Grants;
- Waste Water Construction Grants; and
- Capital Assistance Grants.

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. Our review was more limited than would be necessary to express an opinion on the Pollution Control Agency's system of internal accounting control taken as a whole.

Conclusions

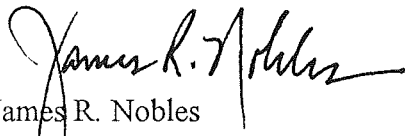
Our study and evaluation of selected financial programs of the Minnesota Pollution Control Agency disclosed no conditions that did not meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial transactions of Minnesota Pollution Control Agency.

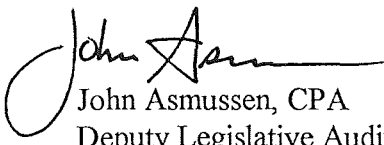
The results of our tests indicate that, with respect to the items tested, the Minnesota Pollution Control Agency complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Pollution Control Agency 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 Minnesota Pollution Control Agency. This restriction is not intended to limit the distribution of this report, which was released as a public document on January 6, 1994.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Mr. Charles Williams, Commissioner
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We thank the Minnesota Pollution Control Agency staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: September 27, 1993

Report Signed On: December 30, 1993

Minnesota Pollution Control Agency

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Audit Participation

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Patrick Ryan	Auditor-in-Charge

Exit Conference

The conclusions of this report were discussed with the following official of the Minnesota Pollution Control Agency at an exit conference held on October 5, 1993:

Janet Steppe	Accounting Supervisor
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Minnesota Pollution Control Agency

Background Information

The mission of the Minnesota Pollution Control Agency (MPCA) is to serve the public in the protection and improvement of Minnesota's air, water, and land resources. The agency assesses the state's environmental status, provides regulatory approvals, acts on enforcement and complaints resolution, and implements strategies that will protect and enhance public health and the state's environment. Charles Williams was appointed Commissioner in 1991.

The Legislature also established a board of nine citizens appointed by the Governor to make policy decisions for the MPCA. Members serve four-year, staggered terms and meet once per month. The agency is organized into one general support division, a regional support office, and four operational divisions: Water Quality, Air Quality, Ground Water and Solid Waste, and Hazardous Waste. Regional offices are located in Brainerd, Detroit Lakes, Duluth, Marshall, and Rochester.

In September 1993, Governor Arne Carlson issued an executive order which transferred the solid and hazardous waste planning and assistance programs from the Office of Waste Management to the MPCA. This transfer included the Capital Assistance Grant program.

Operations for the MPCA are financed by state appropriations; federal grants; and receipts from the sale of licenses, permits, fees, and the assessment of penalties. Expenditures of selected programs for fiscal year 1993 are presented below:

Combined Sewer Overflow Grants	\$13,106,308
Waste Water Construction Grants	1,712,095
Capital Assistance Grants	<u>1,611,481</u>
Total	<u>\$16,429,884</u>

Source: Statewide Accounting System, Allotment Balance Within Appropriation Report, June 30, 1992 and August 31, 1993.