

TRANSPORTATION REGULATION BOARD

FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1993

JULY 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-34

SUMMARY

State of Minnesota

Office of the Legislative Auditor

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

TRANSPORTATION REGULATION BOARD

FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1993

Public Release Date: July 1, 1994

No. 94-34

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Personnel services; and professional/technical services.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

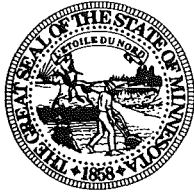
CONCLUSIONS:

We found the internal control structure to be effective.

We reported on one area where the board was assessed and paid the Attorney General 50 percent of the cost of legal fees rather than the full cost. The Attorney General began assessing the full cost of legal fees in October 1993, when the discrepancy was found.

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. Richard Helgeson, Chair
Transportation Regulation Board

Members of the Transportation Regulation Board

Audit Scope

We have completed a financial related audit of the Transportation Regulation Board for the three years ended June 30, 1993 as outlined below, and as further discussed in the Introduction. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

For purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- personnel services
- professional/technical services

For 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.

Management Responsibilities

Management of the Transportation Regulation Board is responsible for establishing and maintaining the 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;

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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 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 internal control 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.

Conclusions

We noted no material weaknesses involving the internal control structure and its operation during the audit scope as mentioned above. 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 noted other matters involving the internal control structure and its operations that we reported to the management of the Transportation Regulation board at the exit conference held on May 4, 1994.

The Board was not in compliance with Minn. Stat. Section 8.15 during the audit period. The Transportation Regulation Board was assessed and paid the Attorney General 50 percent of the cost of legal fees. The Board should have paid the full cost of legal fees, since the Trunk Highway Fund is the funding source for the Board. The Attorney General began assessing the full cost of legal services in October 1993, when the discrepancy was found.

The results of our tests of compliance indicate that, except for the issue discussed in the preceding paragraph, with respect to the items tested, the Transportation Regulation Board complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing else came to our attention that caused us to believe that the Transportation Regulation Board had not complied, in all material respects, with those provisions.

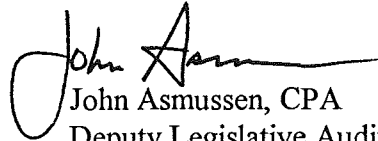
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This report is intended for the information of the Legislative Audit Commission and management of the Transportation Regulation Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 1, 1994.

We thank the Transportation Regulation Board staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 4, 1994

Report Signed On: June 22, 1994

Transportation Regulation Board

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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
Mark Johnson	Auditor-in-Charge

Exit Conference

The issues were noted to the following official of the Transportation Regulation Board at an exit conference on May 4, 1994:

Tim Perry	Administrative Director
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Transportation Regulation Board

Background

The Transportation Regulation Board regulates operation of the motor carrier industry within the State of Minnesota. Mr. Richard Helgeson is the current chair of the three member board. The governor appoints the Board members to six year terms. No more than two members of the Board can be from the same political party.

The Board operates under the authority established under Minn. Stat. Chapter 174A. The Board holds hearings and issues orders in cases brought before it by the Minnesota Department of Transportation or a third party. These hearings concern the adequacy of services provided by the carriers; the reasonableness of carrier rates and charges; the issuance of franchises, permits, and certificates of convenience.

Table 1-1 shows appropriations, transfers, and cancellations for the Transportation Regulation Board for the three years ended June 30, 1993. Table 1-2 shows the revenues and expenditures for the three years ended June 30, 1993.

Table 1-1
Appropriations, Transfers, and Cancellations
for the Three Years Ended June 30, 1993

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Appropriation	\$782,000	\$730,000	\$707,000
Transfer In / (Out)	(2,894)	0	41,351
Cancellation	<u>(46,022)</u>	<u>(10,693)</u>	<u>(9,668)</u>
Net Appropriation Available	<u>\$733,084</u>	<u>\$719,307</u>	<u>\$738,683</u>

Source: 1989 to 1992 Appropriation Laws. Statewide Accounting System Appropriation Balances Within Fund Report as of September 5, 1992 and February 28, 1994.

Table 1-2
Revenues and Expenditures
For the Three Years Ended June 30, 1993

	<u>1993</u>	<u>1992</u>	<u>1991</u>
Revenue	<u>\$ 12,114</u>	<u>\$ 10,773</u>	<u>\$ 12,777</u>
Expenditures:			
Personnel services	\$469,157	\$472,578	\$462,254
Professional/technical services	141,015	147,984	176,364
Other expenditures	<u>122,912</u>	<u>98,745</u>	<u>100,064</u>
Total Expenditures	<u>\$733,084</u>	<u>\$719,307</u>	<u>\$738,682</u>

Source: Statewide Accounting System Estimated/Actual Receipts Reports and Managers Financial Reports as of the close of each fiscal year.
