
GOVERNOR'S RESIDENCE COUNCIL

FINANCIAL AUDIT

FOR THE THREE YEARS ENDED JUNE 30, 1993

JULY 1994

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

94-35

SUMMARY

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

GOVERNOR'S RESIDENCE COUNCIL FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1993

Public Release Date: July 29, 1994

No. 94-35

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Payroll, revenue, supplies/materials and capital expenditures, and fixed assets.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

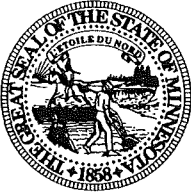
CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

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

Dr. Sam Grabarski, Chair
Governor's Residence Council

Members of the Governor's Residence Council

Audit Scope

We have completed a financial related audit of the Governor's Residence Council 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 council's compliance with certain material provisions of laws and regulations. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

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

- Payroll
- Revenue
- Supplies/Materials and Capital Expenditures
- Fixed Assets

For the internal control structure categories listed above, except for payroll, 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.

The internal control structure over payroll was not examined, because the council currently does not employ any staff. The council employed a part-time employee during the first two years of the audit period.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Dr. Sam Grabarski, Chair
Members of the Governor's Residence Council
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Management Responsibilities

The Department of Administration provides administrative support for the Governor's Residence Council by depositing council receipts, and processing invoices for payment after initial authorization by residence staff. The Governor's office entered payroll onto the state's payroll system. The management of the council, however, is ultimately responsible for its financial operations.

Management of the Governor's Residence Council is responsible for establishing and maintaining the 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 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.

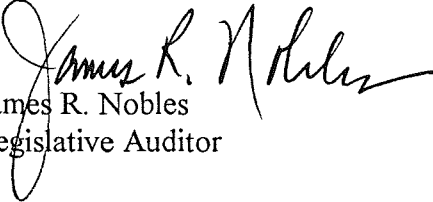
Conclusions

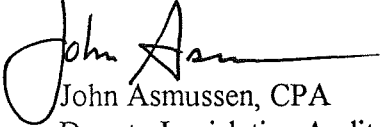
The results of our tests indicate that, with respect to the items tested, the Governor's Residence Council, complied in all material respects, with the provisions referred to in the audit scope paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Governor's Residence Council had not complied, in all material respects, with those provisions. However, we noted certain matters involving the internal control structure and its operation that we reported to the management of the Governor's Residence Council at the exit conference held on May 17, 1994.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Dr. Sam Grabarski, Chair
Members of the Governor's Residence Council
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This report is intended for the information of the Legislative Audit Commission and management of the Governor's Residence Council. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 29, 1994.

We thank the Governor's Residence Council, the Residence Manager, and the Department of Administration staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 10, 1994

Report Signed On: July 18, 1994

Governor's Residence Council

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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
Janet Knox, CPA	Auditor-in-Charge

Exit Conference

Matters involving the internal control structure and its operation were discussed with the following on May 17, 1994:

Governor's Residence Council

Sam W. Grabarski, Ph.D.	Council Chair
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Department of Administration

Dennis Spalla	Assistant Commissioner
Wanda Hurtgen	Administration Management Assistant
Lenora Madigan	Director, Plant Management

Governor's Office

Barbara Hoffman	Residence Manager
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Governor's Residence Council

Background

The Governor's Residence Council, created in 1980, was formed to develop an overall restoration plan for the Governor's residence and surrounding grounds. The primary functions of the council are to implement the overall restoration plan, to approve alterations and additions to the existing structure and grounds, to maintain and improve the quality of furnishings, and to solicit contributions. The council operates under the provisions of Minn. Stat. Section 16B.27.

The council consists of 19 members. Membership includes those designated by law and those chosen by the governor from the membership of various fields, such as interior design, architecture, and landscape architecture. Additionally, the governor appoints eight public members. Members of the council serve without compensation. Sam W. Grabarski, Ph.D. has served as the elected chair since May 16, 1989.

Activities of the Council are primarily funded through private donations from individuals, foundations, and organizations. The following table is a summary of the council's expenditures and revenue for the fiscal years 1991 through 1993:

	Financial Activity		
	Fiscal Years 1991 through 1993		
	Year Ended June 30		
	1991	1992	1993
Balance July 1	<u>\$72,043</u>	<u>\$36,916</u>	<u>\$27,037</u>
Revenue:			
Gift Receipts	\$ 8,260	\$37,425	\$15,471
Interest Earned	4,817	2,407	1,277
Other Receipts	<u>0</u>	<u>200</u>	<u>0</u>
Total Revenue	<u>\$13,077</u>	<u>\$40,032</u>	<u>\$16,748</u>
Subtotal	<u>\$85,120</u>	<u>\$76,948</u>	<u>\$43,785</u>
Expenditures:			
Payroll	\$ 3,498	\$18,126	\$ 0
Supplies & Materials	20,432	10,154	7,523
Fixed Assets	9,535	15,066	0
Capital Outlays	0	0	14,989
Other Expenditures	<u>4,739</u>	<u>6,565</u>	<u>8,141</u>
Total Expenditures	<u>\$48,204</u>	<u>\$49,911</u>	<u>\$30,653</u>
Balance June 30	<u>\$36,916</u>	<u>\$27,037</u>	<u>\$13,132</u>

Sources: Statewide Accounting System, Managers Financial Reports, Estimated/Actual Receipt Reports and Appropriation Balance within Fund, as of August 31, 1991, September 5, 1992, and September 3, 1993.