

OFFICE OF STRATEGIC AND LONG RANGE PLANNING
FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1993

SEPTEMBER 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-39

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Public Release Date: September 1, 1994

No. 94-39

OBJECTIVES:

- **ASSESS INTERNAL CONTROL STRUCTURE:** Revenues: statewide planning, Pew Foundation, adolescent pregnancy, and other agency agreements. Expenditures: payroll, professional and technical services, travel, and grants and aids.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

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

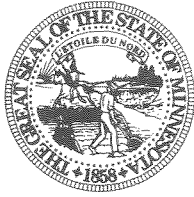
- The Office of Strategic and Long Range Planning should negotiate a formal written agreement with the Metropolitan Airports Commission.

We found one departure from finance-related legal provisions:

- The Office of Strategic and Long Range Planning did not develop a records retention schedule as required by state law. The office should work with the Department of Administration in preparing a records retention schedule.

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

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA
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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

John Hustad, Acting Director
Office of Strategic and Long Range Planning

Audit Scope

We have completed a financial related audit of the Office of Strategic and Long Range Planning for the period, July 1, 1991 to 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.

Internal Control Structure

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

- Revenues:
 - * Statewide planning
 - * Pew Foundation
 - * Adolescent pregnancy
 - * Other agency agreements
- Expenditures:
 - * Payroll
 - * Professional and technical services
 - * Travel
 - * Grants and aids

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 Office of Strategic and Long Range Planning 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;
- 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

Our audit disclosed the condition discussed in finding 1, which involved the internal control structure of the Office of Strategic and Long Range Planning. We consider this condition to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

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. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition discussed in finding 1 is not a material weakness.


Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
John Hustad, Acting Director
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The results of our tests of compliance indicate that, except for the issues discussed in finding 2, with respect to the items tested, the Office of Strategic and Long Range Planning 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 Office of Strategic and Long Range Planning had not complied, in all material respects, with those provisions.


We also noted other matters involving the internal control structure and its operation and/or compliance with laws and regulations that we reported to the management of the Office of Strategic and Long Range Planning at the exit conference held on July 14, 1994.

This report is intended for the information of the Legislative Audit Commission and management of the Office of Strategic and Long Range Planning. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 1, 1994.

We thank the Office of Strategic and Long Range Planning staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 20, 1994

Report Signed On: August 23, 1994

Office of Strategic and Long Range Planning

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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
Renee Redmer, LPA	Audit Manager
Mary Annala, CPA	Auditor-in-Charge
Sonya Hill, CPA	Auditor
Janet Knox, CPA	Auditor

Exit Conference

The results of this audit report were discussed with the following staff of the Office of Strategic and Long Range Planning on July 14, 1994:

John Hustad	Acting Director
Roger Volk	Accounting Supervisor

Office of Strategic and Long Range Planning

Introduction

The Office of Strategic and Long Range Planning was created by the legislature in 1991. The agency's responsibility includes developing a long range plan for Minnesota, stimulating public participation in the state's future, and coordinating public policy with state agencies, legislature, and other governmental units. Linda Kohl was appointed as the Director of the Office of Strategic and Long Range Planning on January 7, 1991. Ms. Kohl served until May 4, 1994. John Hustad became the Acting Director in May 1994.

Some of the activities of the Office of Strategic and Long Range Planning include:

- Minnesota Milestones a citizen driven long range planning process, to design cost effective government services to meet the needs of the people who use them.
- Action for Children was created in 1991 by Governor Arne H. Carlson to develop strategies to improve opportunities for all children to reach their full potential.
- Office of the State Demographer collects, analyzes and distributes demographic information relating to the people of Minnesota.
- Environmental Quality Board (EQB) operations protect and enhance the environment for Minnesota citizens.

The Office of Strategic and Long Range Planning is mainly funded by General Fund appropriations. Table 1-1 shows its financial activity for fiscal years 1992 and 1993.

Office of Strategic and Long Range Planning

Table 1-1
Revenues and Expenditures
Fiscal Years 1992 and 1993

	FY92	FY93
Nondedicated Receipts:		
Statewide planning	\$ 441,253	\$ 329,160
Other nondedicated receipts	<u>8,260</u>	<u>308</u>
	<u>\$ 449,513</u>	<u>\$ 329,468</u>
Resources Available for Expenditures:		
General Fund appropriation	\$3,388,000	\$2,986,000
Additional General Fund appropriation	500,000	500,000
Revenues		
Pew Foundation	\$ 0	\$ 168,750
Adolescent pregnancy	231,640	225,000
Other agency agreement	128,500	167,338
Other revenues	<u>324,612</u>	<u>266,157</u>
Subtotal	\$4,572,752	\$4,313,245
Balance forward in	350,748	886,313
Balance forward out	(886,317)	(511,632)
Legislative budget reduction	(60,000)	0
Transfer out	(552,050)	(579,235)
Appropriation cancellation	(61,889)	(51,447)
Unliquidated balance	<u>(2,719)</u>	<u>(187,687)</u>
Total Resources Available	<u>\$3,360,525</u>	<u>\$3,869,557</u>
Expenditures:		
Payroll	\$2,436,617	\$2,604,320
Professional and technical services	367,297	467,391
Travel	63,022	66,016
Grants and aids	34,900	188,043
Other expenditures	<u>458,689</u>	<u>543,787</u>
Total Expenditures	<u>\$3,360,525</u>	<u>\$3,869,557</u>

Source: Statewide Accounting - Managers Financial Report, September 3, 1993 and September 5, 1992.
Statewide Accounting - Estimated/Actual Receipt Report, September 3, 1993 and September 5, 1992.
Statewide Accounting - Appropriation Balances Within Fund Report, September 3, 1993 and September 5, 1992.

Current Findings and Recommendations

1. The Office of Strategic and Long Range Planning did not develop a written service contract with the Metropolitan Airports Commission.

The Office of Strategic and Long Range Planning (agency) did not formalize its terms and conditions in a written contract with the Metropolitan Airports Commission (MAC). MAC requested assistance from the agency in performing an environmental impact study. The Office of Strategic and Long Range Planning includes in its agency activities the Environmental Quality Board (EQB). The EQB is responsible for protecting and enhancing the environment for Minnesota citizens. The EQB has the authority to monitor, perform and evaluate environmental impact studies (EIS). Minn. Stat. Section 116C.08 gives the EQB authority to collect funds for these services.

The EQB authorized a board resolution for these services; however, a written contract specifying the terms and conditions was not developed. During fiscal year 1994, the EQB requested \$75,000 from the MAC, the EQB spent approximately \$69,000, leaving a \$6,000 carryover. The funding request represents reimbursement for professional staff, support staff and expenses. The EQB approved the following board resolution:

"...be it resolved that contingent upon receiving financial assistance of at least \$75,000 from the Commission during each year of the dual track planning process, it being the intention that all EQB's costs in this matter be borne by the Metropolitan Airport Commission, the EQB hereby assumes responsibility for making the adequacy decision for the state final EIS to be prepared by the Metropolitan Airports Commission..."

The contractual services arrangement is an ongoing project; therefore, it is important to formalize the terms and conditions of the contract. For fiscal year 1995, the EQB requested, another \$86,000 from the MAC.

A written contract would formalize the details of the services, financial arrangements, and responsibilities of the parties. Without a formal contract, the parties involved may be subject to disputes and misunderstandings. A written contract would clearly state the detailed working relationship, thereby reducing the risk of changes in services and costs.

Recommendation

- *The Office of Strategic and Long Range Planning should negotiate a formal written agreement with the Metropolitan Airports Commission.*

Office of Strategic and Long Range Planning

2. The Office of Strategic and Long Range Planning did not develop a records retention schedule as required by state law.

The Office of Strategic and Long Range Planning does not have a written records retention schedule. Minn. Stat. Section 15.17, Subd. 2, states the chief administrative officer of each public agency shall be responsible for the preservation and care of the agency's government records. Minn. Stat. Section 138.17 establishes the records retention panel and process to inventory state records. The Department of Administration's Information Policy Office coordinates the inventory process.

A formal records retention schedule helps ensure the preservation of records for legal, auditing, and historical purposes. Without a proper record retention schedule, agency employees may destroy or misplace important documents.

Recommendation

- *The Office of Strategic and Long Range Planning should work with the Department of Administration in preparing a records retention schedule.*

August 19, 1994

The Honorable Phil Riveness, Chair
Legislative Audit Commission
100 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Senator Riveness:

The Office of the Legislative Auditor has conducted a financial related audit of the Office of Strategic and Long Range Planning (MN Planning) for the period July 1, 1991 to June 30, 1993. MN Planning has reviewed the audit report and met with the auditors to discuss its findings. The purpose of this letter is to respond to the findings of the report.

MN Planning views the audit as an opportunity for the Agency to review its fiscal, accounting and operational practices. We are pleased that, in general, the audit report shows that our procedures are sound. We are taking immediate actions on the recommendations in the audit. Specifically:

1. Develop written service contract with the Metropolitan Airports Commission.

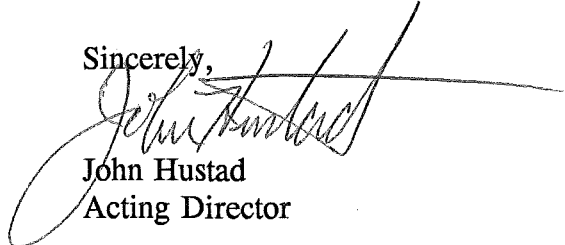
We believe the responsibility for the written agreement rests with the Airports Commission. We would not object to a more explicit agreement but feel if the Commission is comfortable with the previous verbal understandings and commitments and the written budget and financial reports supplied each year, then our obligation is met.

2. Develop a records retention schedule.

With the abolition of the State Planning Agency and the creation of MN Planning new retention schedules should have been created. The abolition also resulted in a reorganization of our library which is responsible for records management for the Agency. The reorganization caused us to be without a librarian and library services for a period of time. Our current librarian is in the process of formulating new retention schedules in conjunction with the Records Management Section of the Department of Administration.

We believe the above actions will address the findings of the audit and avoid future problems.

Sincerely,



John Hustad
Acting Director