
Department of Trade and Economic Development
Programs Selected For
Fiscal Year 1994 Statewide Audit

April 1995

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-10

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
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Department of Trade and Economic Development

Programs Selected For Fiscal Year 1994 Statewide Audit

Public Release Date: April 5, 1995

No. 95-10

Objectives:

- Review Internal Control Structure: Revenue and expenditures for the Community Development Block Grant; revenue, expenditures, cash and investments, loans receivable, and revenue bonds payable for the Water Pollution Control Revolving Fund; and cash, investments, loans receivable, and revenue bonds payable for the Minnesota Agricultural and Economic Development Board.
- 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.

296-1235



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

E. Peter Gillette Jr., Commissioner
Department of Trade and Economic Development

Audit Scope

We have completed a financial related audit of selected programs of the Department of Trade and Economic Development for the period, July 1, 1993 through June 30, 1994 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:

Revenue and Expenditures:

- Community Development Block Grant (CFDA #14.228)
- Water Pollution Control Revolving Fund (CFDA #66.458)

Cash and Investments, Loans Receivable, and Revenue Bonds Payable:

- Water Pollution Control Revolving Fund (CFDA #66.458)
- Minnesota Agricultural and Economic Development Board

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 Department of Trade and Economic Development 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


The internal control structure categories that we examined included: Community Development Block Grant (CFDA #14.228), Water Pollution Control Revolving Fund (CFDA #66.458), and Minnesota Agricultural and Economic Development Board, as shown in the Internal Control Structure section of this report. We found no weaknesses involving the internal control structure and its operation for these areas, except for a minor matter that we reported to the management of the Department of Trade and Economic Development at the exit conference held on January 10, 1995.

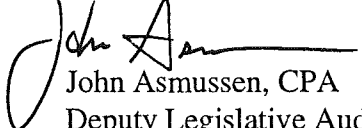
The results of our tests of compliance indicate that, with respect to the items tested, the Department of Trade and Economic Development complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing else came to our attention that caused us to believe that the Department of Trade and Economic Development had not complied, in all material respects, with those provisions, except for the minor matter that we reported to the management of the Department of Trade and Economic Development at the exit conference held on January 10, 1995.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Trade and Economic Development. This restriction is not intended to limit the distribution of this report, which was released as a public document on April 5, 1995.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
E. Peter Gillette Jr., Commissioner
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We thank the Department of Trade and Economic Development staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 16, 1994

Report Signed On: March 29, 1995

Department of Trade and Economic Development

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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
Mary Annala, CPA	Auditor-in-Charge

Exit Conference

The results of this audit report were discussed with the following staff of the Department of Trade and Economic Development at the exit conference held on January 10, 1995:

Bonnie Burt	Senior Administrative Officer
Judy Charron	Administrative Services Director
Laurie Jambois	Business and Community Development Director

Department of Trade and Economic Development

Background Information

The Department of Trade and Economic Development (DTED) is the state of Minnesota's principal economic development agency. The department's goal is to promote the state's economic climate in both domestic and international markets to enhance job creation. The Governor appointed the commissioner, E. Peter Gillette, on February 1, 1991.

The department's four divisions follow the guidelines of Minn. Stat. Chapter 116J, as discussed below:

- Business and Community Development Division works with Minnesota businesses and communities to facilitate economic growth.
- Office of Tourism markets Minnesota's products and services that relate to travel through the use of travel information centers and telecommunication systems. This division assists tourists, tourism businesses and travel related organizations.
- Minnesota Trade Office is the export and foreign investment development division of the department. It assists small and medium sized businesses and those new to the exporting business markets. The division provides educational programs, a network of public/private supported individualized foreign trade offices, foreign export counseling, export financing, targeted market research, and other services.
- Administrative Division provides support to the other three divisions in the areas of fiscal management, office management, human resources, and information management.

The programs administered by the department receive funding through General Fund appropriations, federal grants, and revenue bond proceeds. The statewide accounting system and financial statements for the Public Facilities Authority and Minnesota Agricultural and Economic Development Board show expenditures, including encumbrances, for various DTED programs and funding sources totaling \$ 99,723,011 during fiscal year 1994.

We did not audit the financial activities of the Public Facilities Authority Water Pollution Control Revolving Fund (CFDA #66.458). A private CPA firm audited these financial activities; we reviewed the audit working papers to satisfy ourselves as to the adequacy of audit coverage.

Department of Trade and Economic Development

Our selected scope audit included the following programs within the Business and Community Development Division, as shown in Table 1

Table 1				
Program Expenditures by Fund				
Fiscal Year 1994				
	<u>General Fund</u>	<u>Federal Fund</u>	<u>Other Funds</u>	<u>Total</u>
Community Development Block Grant (CFDA #14.228) [1]	\$244,192	\$22,073,287		\$22,317,479
Public Facilities Authority Water Pollution Control Revolving Fund (CFDA #66.458) [2]			\$17,011,860	

The department's assets and liabilities as of June 30, 1994, included in the audit scope are shown in Table 2.

Table 2			
Department Assets and Liabilities			
June 30, 1994			
	<u>Cash and Investments</u>	<u>Loans Receivable</u>	<u>Bonds Payable</u>
Public Facilities Authority Water Pollution Control Revolving Fund (CFDA #66.458) [2]	\$120,627,492	\$278,680,416	\$236,187,573
Minnesota Agricultural and Economic Development Board [3]	\$27,313,998	\$31,270,417	\$35,900,000

Sources:

- [1] Statewide Accounting System Managers Financial Report as of September 2, 1994.
- [2] Public Facilities Authority-Water Pollution Control Revolving Fund Financial Statements for the year ended June 30, 1994.
- [3] Agricultural and Economic Development Board Financial Statements for the year ended June 30, 1994.