

Capitol Area Architectural and Planning Board

Financial Audit

For the Three Years Ended June 30, 1994

May 1995

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-22



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Members of the Legislative Audit Commission

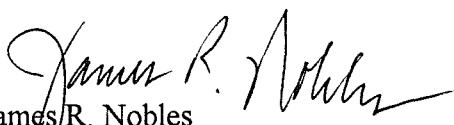
The Honorable Joanne Benson, Lieutenant Governor
Capitol Area Architectural and Planning Board


Members of the Capitol Area Architectural and Planning Board

We have audited the Capitol Area Architectural and Planning Board (board) for the period July 1, 1991, through June 30, 1994, as further explained in Chapter 1. Our audit scope included project and administrative expenditures. The following summary highlights the audit objectives and conclusions. We discuss these areas more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 19, 1995.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 2, 1995

Report Signed On: May 16, 1995

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

Capitol Area Architectural and Planning Board

Financial Audit For the Three Years Ended June 30, 1994

Public Release Date: May 19, 1995

No. 95-22

Agency Background

The Legislature created the Capitol Area Architectural and Planning Board in 1967. It is authorized through Minn. Stat. Section 15.50. In part, the Legislature established the board to "preserve and enhance the dignity, beauty and architectural integrity of the capitol, the buildings immediately adjacent to it, the capitol grounds and the capitol area." The board consists of ten members; the lieutenant governor, four members appointed by the governor, three members appointed by the mayor of Saint Paul, a state representative, and a state senator. In addition to the board staff, an advisory committee of three persons exists to advise the board on all architectural and planning matters.

The board receives appropriations from the General Fund for its administrative costs, and from the proceeds of general obligation bonds for specific projects.

Audited Areas and Conclusions

Our audit scope included project and administrative expenditures for the period from July 1, 1991 through June 30, 1994.

We determined that the board has not provided adequate control over the structure, role, and compensation of the advisory committee. Specifically, the board had not set terms for the committee membership, had not prohibited members of the advisory committee from providing contractual services for board projects, and had not established appropriate compensation for the advisory committee members.

We found that, generally, the board had properly administered its capital projects to ensure that it expended the funds in accordance with appropriation laws and, if applicable, with bond restrictions. However, relating to the board's project expenditures, we found that the board had not entered into agreements with organizations raising private funds for certain projects, had charged some inappropriate payroll costs to project accounts, and had not reached agreement with the Department of Administration concerning interagency joint projects.

Concerning administrative expenditures and other issues, we found that, except for certain travel disbursements noted in a separate report titled, *"Special Review: Certain Activities of the Executive Secretary,"* the board expended its General Fund appropriation in a reasonable and prudent manner. We also found that the board had not appropriately established its relationship with the Department of Administration to provide administrative support services.

Contact the Financial Audit Division for additional information.

296-1730

Capitol Area Architectural and Planning 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
Jeanine Leifeld, CPA	Audit Manager
Cecile Ferkul, CPA	Auditor-in-Charge
Steve Johnson	Intern

Exit Conference

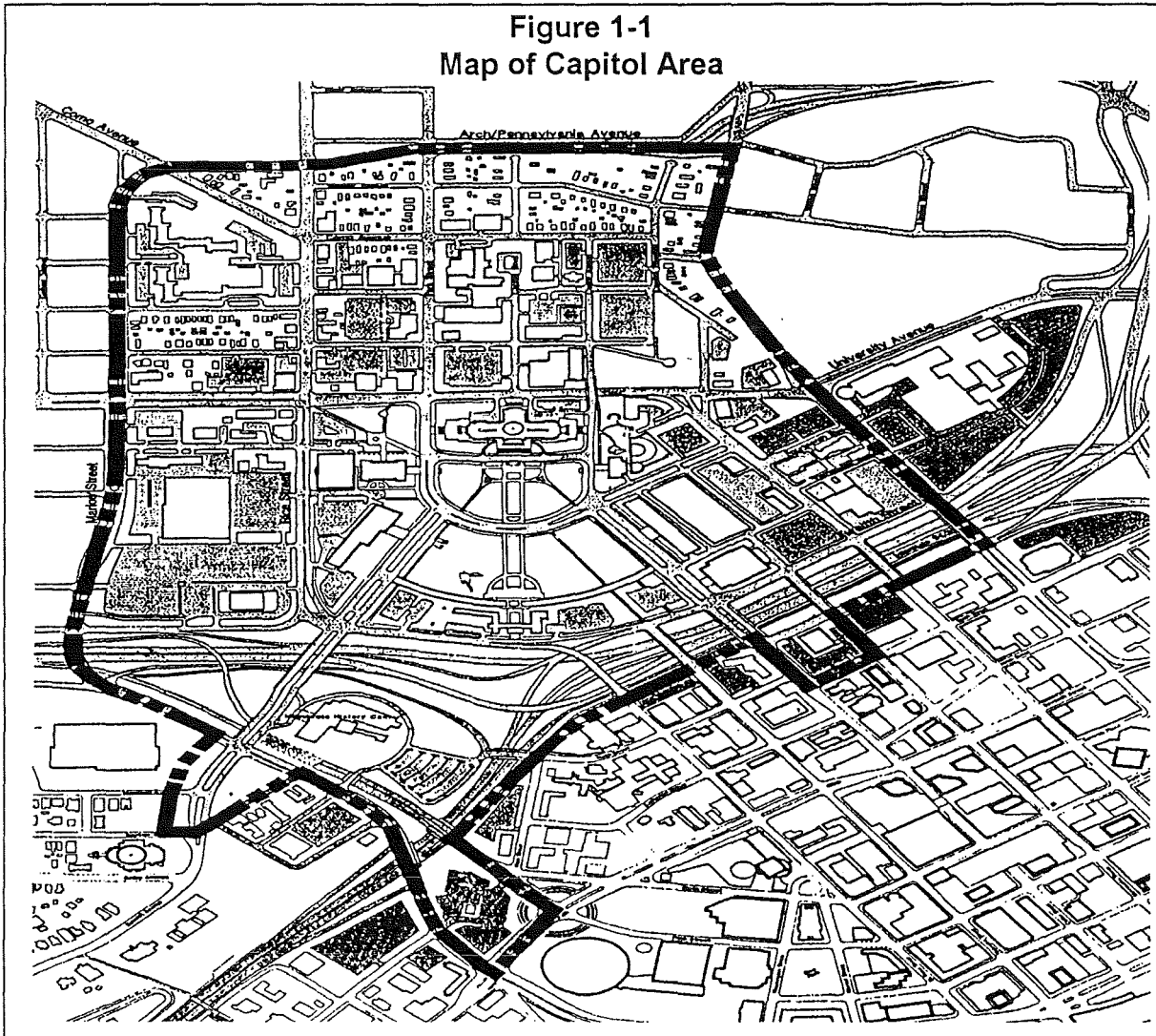
We discussed the issues in this report with the chair of the Capitol Area Architectural and Planning Board, Lieutenant Governor Joanne Benson, at an exit conference held on April 28, 1995.

Capitol Area Architectural and Planning Board

Chapter 1. Introduction

The Legislature created the Capital Area Architectural and Planning Board in 1967. It is authorized through Minn. Stat. Section 15.50. In part, the Legislature established the board to "preserve and enhance the dignity, beauty and architectural integrity of the capitol, the buildings immediately adjacent to it, the capitol grounds and the capitol area".

Figure 1-1 shows the capitol area, as defined by Minn. Stat. Section 15.50, Subd. 2. Within this area, the board must approve any projects affecting the buildings or grounds and coordinate those projects with the board's comprehensive use plan for the capitol area. In recent years, board projects included the construction of buildings within the capitol area, as well as the construction of memorials on the capitol mall. The most significant projects during our audit period were planning for the Roy Wilkins Memorial, the Labor Interpretive Center, and the new Military Affairs Armory.



Capitol Area Architectural and Planning Board

The Capitol Area Architectural and Planning Board consists of ten members. Table 1-1 shows the current membership of the board.

**Table 1-1 - Board Membership
as of April 1995**

<u>Board Member</u>	<u>Appointing Authority</u>
Lieutenant Governor Joanne Benson, Chair	Statutory
Margaret Bracken, Vice-chair	Governor
A. William Sands	Governor
Mary Kelly	Governor
Scott Cottington	Governor
David A. Lanegran	Mayor of Saint Paul
John Mannillo	Mayor of Saint Paul
William Moore	Mayor of Saint Paul
Representative Wes Skoglund	Speaker of the House
Senator Sandra Pappas	President of the Senate

Source: Capitol Area Architectural and Planning Board internal documents.

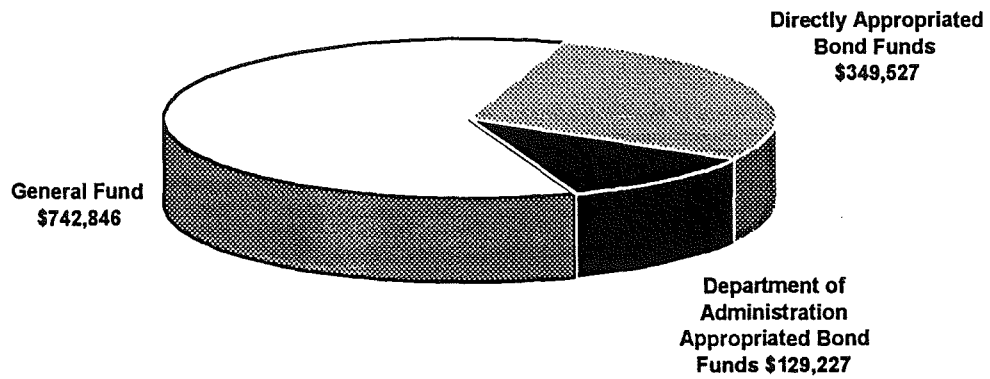
The board's staff currently consists of an executive secretary, two planners, and an account clerk. Mr. Gary Grefenberg served as the executive secretary to the board during our audit period. In addition to the staff, pursuant to Minn. Stat. Section 15.50, Subd. 2(h), an advisory committee of three persons exists to "advise the board on all architectural and planning matters." We discuss the role, structure, and compensation of the advisory committee in Chapter 2.

The board receives appropriations from the General Fund for its administrative costs, and from the proceeds of general obligation bonds for specific projects. In cases where other agencies are planning projects within the capitol area, those agencies may also provide the board with funding to carry out its statutory planning obligations. For example, the board currently has joint projects with the Department of Administration and the Department of Military Affairs. Chapters 3 and 4 discuss the board's project and administrative expenditures during the audit period.

Figure 1-2 shows the board's sources of funding for the expenditures during fiscal years 1992, 1993, and 1994.

Capitol Area Architectural and Planning Board

**Figure 1-2
CAAPB Funding Sources
Total of Fiscal Years
1992, 1993, and 1994**



Source: Statewide Accounting System records.

Capitol Area Architectural and Planning Board

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Chapter 2. Advisory Committee

Chapter Conclusions

The board has not provided adequate control over the structure, role and compensation of the advisory committee. Specifically, the board had not:

- set terms for the membership of the advisory committee;*
 - prohibited members of the advisory committee from providing contractual services for board projects; and*
 - established appropriate compensation for advisory committee members.*
-

Minn. Stat. Section 15.50, Subd. 2 (h), establishes an advisory committee of three persons to "advise the board on all architectural and planning matters". Our objective for this area was to determine:

Has the board authorized an appropriate structure, role and compensation for the advisory committee?

To answer this question, we interviewed board staff, reviewed historical files, and analyzed payments made to advisory committee members. We also compared the structure, role, and compensation of the advisory committee members to those of the State Designer Selection Board. The legislature created the Designer Selection Board to advise the Department of Administration in the selection of designers for the construction of state buildings, similar to the advisory committee role in advising the Capitol Area Architectural and Planning Board.

Committee Structure

Minn. Stat. Section 15.50, Subd. 2 (h), provides for the basic structure of the advisory committee. It requires that each committee member be either an architect or a planner. The advisory committee consists of three members, one appointed by the State Arts Board, one by the Capitol Area Architectural and Planning Board, and one by the Minnesota Society of the American Institute of Architects. The advisory committee's current membership consists of two architects and a landscape architect.

1. The board has not set terms for the membership of the advisory committee.

For the last thirteen years the membership of the advisory committee has not changed. Since the early 1980's, none of the appointing authorities have reviewed or reappointed the members of the advisory committee. The State Arts Board appointed one of the members in 1979 and

Capitol Area Architectural and Planning Board

reappointed him in 1982. The Minnesota Society of the American Institute of Architects appointed another member in 1982. That same year, the Capitol Area Architectural and Planning Board filled the third position. We found no record of any reappointments after that date.

Minn. Stat. Section 15.50, Subd. 2(h), does not specify the terms of membership for the advisory committee. In contrast, the Designer Selection Board statute sets four year terms for members with a limit of two consecutive terms. Absent a specific statutory designation, the board should establish reasonable terms for appointments to the advisory committee.

Recommendation

- *The board should set appropriate terms for membership on the advisory committee.*

Committee Role

The statutes give the advisory committee the broad role of advising the board on "all architectural and planning matters". We found that, besides their advisory role, members of the committee often serve as paid, technical consultants on board projects. In addition, since January 1995, one of the committee members has served as the acting executive director to the board, as well as being an advisor and a project contractor. The advisors, serving in these various capacities, may encounter conflicts of interest. These conflicts of interest, we believe, limit the committee members' ability to provide objective advice to the board.

2. The board has not prohibited advisory committee members from providing contractual services for board projects.

Serving both as advisors and paid contractors has created the appearance of a conflict of interest for the members of the advisory committee. The board has routinely allowed the advisors to contract with the board for certain small project jobs. The problem has been further complicated because, since January 1995, one of the committee members has served as the acting executive director to the board, while continuing as an advisor and a project contractor.

We believe that the advisors have an unfair advantage in obtaining additional project work. The dual role of the advisors may also limit their ability to provide objective, impartial advice to the board. The board should consider adopting a policy similar to that followed by the Designer Selection Board. By statute, members of the Designer Selection Board may not select a designer or firm for a state construction project in which a member has a current financial interest.

Recommendation

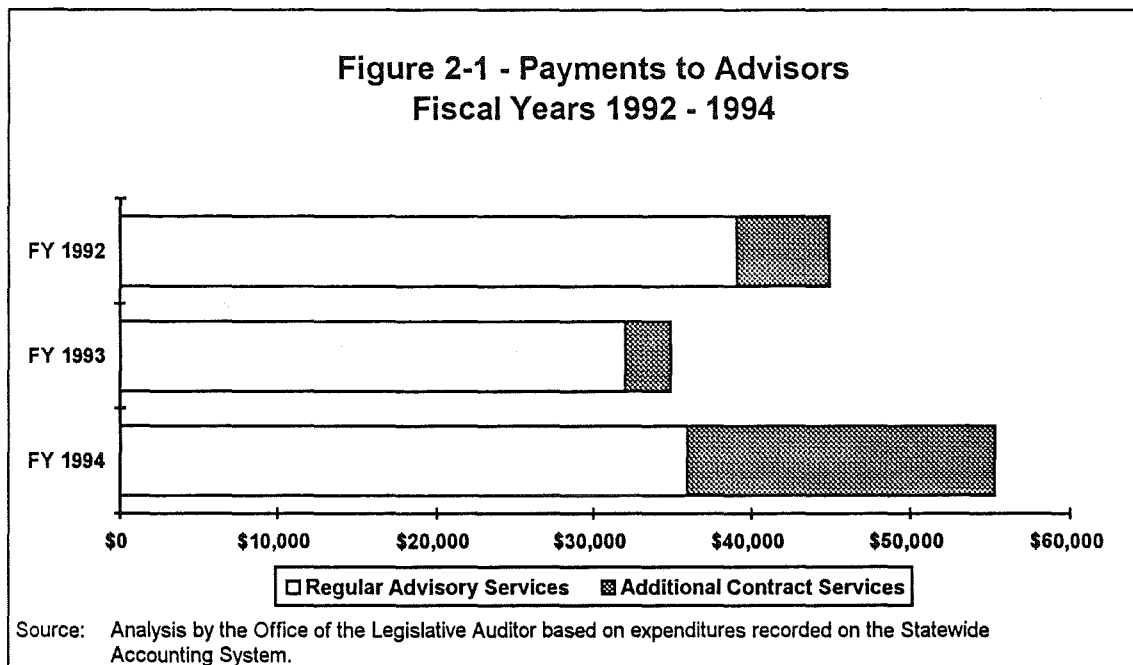
- *The board should establish a policy prohibiting advisory committee members from providing contractual services for board projects.*

Capitol Area Architectural and Planning Board

Committee Compensation

The statutes do not specify if or how the board should compensate the members of the advisory committee. During the audit period, the board paid members of the advisory committee \$55 per hour for their advisory services, including time spent at official committee meetings and preparation time between meetings. The board also paid its advisors \$46 to \$55 per hour for any additional project work.

Figure 2-1 shows the payments that the board made to the advisors for advisory services and additional contract services for fiscal years 1992 through 1994.



The Legislature determines compensation for most advisory committees in Minn. Stat. Sections 15.0575 and 15.059. These statutes generally allow advisory council members to earn \$55 per diem for their service. For example, the Department of Administration compensates Designer Section Board members in accordance with Minn. Stat. Section 15.0575 at \$55 per day for board activities, plus expenses. However, these statutes only apply to a particular committee or council when "specifically provided by law". The statutes for the Capitol Area Architectural and Planning Board do not make its advisory committee subject to the \$55 per day statutory limit. Because of this, we believe that the board should reassess its compensation to the advisory committee members.

3. The board has not established appropriate compensation for advisory committee members.

The board has paid its advisors significantly more than it would have if the advisors were subject to the \$55 per diem limitations of Minn. Stat. Section 5.059. We believe that the board should reevaluate its compensation of advisory committee members.

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We analyzed payments to the advisors for the months of August 1991, 1992 and 1993. For those months, we compared actual payments to advisory committee members to the amount they would have received if the board had paid them a \$55 per diem. Figure 2-2 shows the results of the analysis.

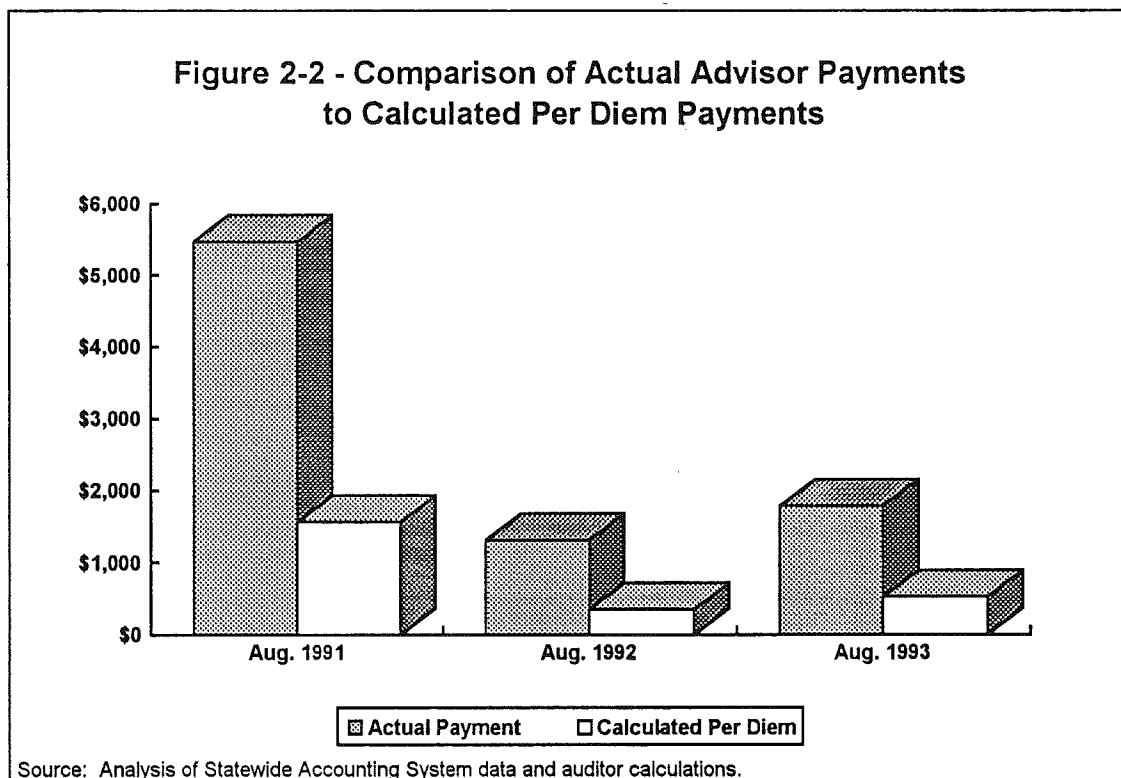


Figure 2-2 shows that the board has paid its advisors substantially more by allowing them an hourly rate. The board should establish compensation practices that would limit the advisors to the essential elements of their role and that would be consistent with compensation of other similar entities.

Recommendation

- *The board should establish an appropriate compensation policy for members of the advisory committee.*

Chapter 3. Project Expenditures

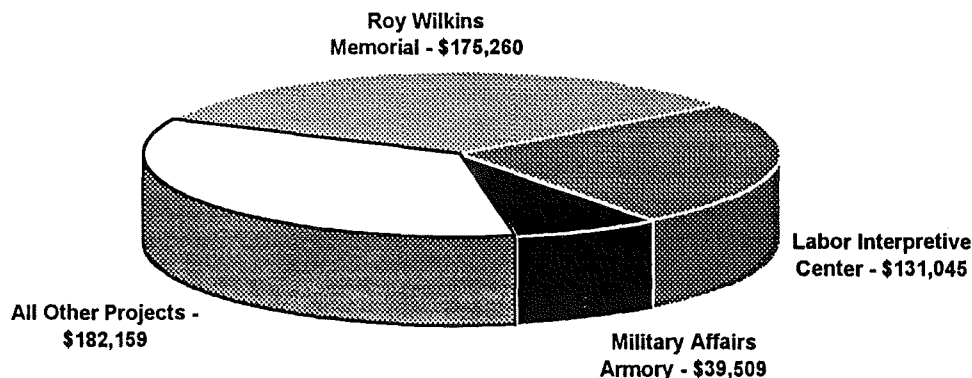
Chapter Conclusions

Except for the items noted below, the board has properly administered its capital projects to ensure that it expended the funds in accordance with appropriation laws and, if applicable, with bond restrictions. We found the following problems:

- *The board had not entered into agreements with organizations raising private funds for certain projects.*
- *The board had charged some inappropriate payroll costs to project accounts.*
- *The board had not reached agreement with the Department of Administration concerning interagency joint projects.*

During fiscal years 1992 through 1994, the Capitol Area Architectural and Planning Board spent a total of \$527,973 on specific projects. This included \$398,746 in direct appropriations to the board and \$129,227 to projects appropriated to the Department of Administration. Figure 3-1 identifies the material projects and expenditures during fiscal years 1992 through 1994.

**Figure 3-1 - Projects
Fiscal Years 1992, 1993, and 1994**



Source: Analysis by the Office of the Legislative Auditor based on expenditures recorded on the Statewide Accounting System.

Capitol Area Architectural and Planning Board

We established the following objective for the audit of project costs:

Has the board properly administered and controlled projects to ensure that it expended project funds in accordance with appropriation laws and, where applicable, in accordance with bond requirements?

To accomplish this objective we examined the expenditures of the three material projects identified in Figure 3-1. We also reviewed contractual agreements for those projects and discussed questions with the planner assigned to the project.

The Legislature funded two of these three projects (the Roy Wilkins Memorial and the Labor Interpretive Center) from bond proceeds. For those two projects, we examined whether the board expended bond funds in accordance with bond requirements. The state constitution and the state bond council's guidelines provide criteria for determining the appropriateness of expenditures from bond proceeds. In determining the appropriateness of the expenditures, we verified that the board had made the expenditure with respect to a capital asset with a useful life of at least ten years. We also attempted to determine whether the expenditures resulted in a direct and exclusive benefit to the project for which the legislature appropriated the bond funds.

Roy Wilkins Memorial

In 1990, the Legislature appropriated \$300,000 to the board to erect a memorial to Roy Wilkins on the state capitol grounds. As of March 1995, the project budget for the Roy Wilkins Memorial totaled \$394,480. The board is funding the memorial through bond proceeds and private fundraising by the Roy Wilkins Memorial Community Advisory Council. The board plans to locate the memorial along John Ireland Boulevard. It has scheduled the memorial's dedication and unveiling for July 1995.

By the end of fiscal year 1994, the board had incurred costs to select a designer, as well as some of the memorial's construction costs. Table 3-1 summarizes the costs incurred as of June 30, 1994.

As a result of our review of the Roy Wilkins project, we concluded that the expenditures in Table 3-1 provided direct and exclusive benefit to the memorial. The board expended these funds in compliance with the applicable appropriation laws. These expenditures are allowable and appropriate uses of general obligation bond proceeds. However, we believe that the board may have subjected itself to additional risk by not negotiating a formal agreement with the Roy Wilkins Memorial Community Advisory Council concerning fundraising for the project.

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**Table 3-1 - Roy Wilkins Memorial
Summary of Project Costs**

Project planning costs:	
Staff payroll	\$ 17,893
Advisory Committee (1)	15,713
Other	6,778
Designer Selection Costs	15,827
Construction Costs:	
Artist	58,131
Bronze	59,548
Other	1,369
Total Project Expenditures as of June 30, 1994	<u>\$175,260</u>

(1) Payments to advisory committee members are discussed in Chapter 2.
Source: Analysis of statewide accounting system expenditures.

4. The board has no formal agreement with the Roy Wilkins Memorial Community Advisory Council concerning the memorial.

The board does not have a formal agreement with the Roy Wilkins Memorial Community Advisory Council concerning the project. As a result, the state remains exposed for the full cost of the project.

A formal agreement would clarify who can act on the behalf of the community group, who is responsible for maintaining the memorial after completion, and what role, if any, the community group will have in the future. A formal agreement would also resolve questions concerning the project's funding. Contributions are currently being deposited into a state account. As of March 1995, the community advisory council was responsible to raise \$90,180 of the total project budget. At that time, it had only raised \$29,210. An agreement should also specify what happens if the group cannot raise the required funds and the state's obligation to dispose of any remaining funds after the board completes the project.

There are other similar community advisory and fundraising groups for other current projects. These projects include the Peace Officers Memorial, the Hubert H. Humphrey Memorial, and the Korean War Veteran Memorial. The board has also not formalized agreements with any of these groups.

Recommendations

- *The board should formalize an agreement with the Roy Wilkins Memorial Community Advisory Council concerning the project.*
- *The board should develop agreements with organizations financially involved with other upcoming projects.*

Capitol Area Architectural and Planning Board

Labor Interpretive Center

Originally intended to be constructed along with the Minnesota History Center, the Labor Interpretive Center started with a \$228,000 appropriation in 1985. In 1993, the legislature formed a public corporation to provide the Labor Interpretive Center with management and direction. The corporation is presently planning the construction of the center. The Capitol Area Architectural and Planning Board is responsible for site selection and the building design competition.

The board has entered into several interagency agreements with the Labor Interpretive Center Corporation. These agreements were necessary since the legislature reappropriated any unexpended funds to the Labor Interpretive Center Corporation. Through the interagency agreement, the board has been able to obtain the funds it needs to determine an appropriate site and conduct a design competition.

As of June 30, 1994, the board had expended \$131,045 on the Labor Interpretive Center. Table 3-2 summarizes board expenditures for the project through June 30, 1994.

**Table 3-2 - Labor Interpretive Center
Summary of Project Costs**

American History Workshop (consultant)(1)	\$ 50,114
Staff payroll (2)	39,118
Administrative Services for the corporation	13,930
Printing	8,856
Site analysis	6,880
Advisory Committee (3)	3,977
Other	<u>8,170</u>
Total Project Expenditures through June 30, 1994	<u>\$131,045</u>

(1) The American History Workshop is a New York based consulting firm which developed the programming needs of the center and identified its space requirements.

(2) Total includes an overpayment of \$4,283 to the project, as discussed in finding 5.

(3) Payments to advisory committee members are discussed in Chapter 2.

Source: Analysis of statewide accounting system expenditures.

In our review of Labor Interpretive Center expenditures, we found that the board did not accurately charge some staff payroll costs to the project. During the audit period, the board allocated staff payroll to projects based on predetermined percentages of staff time. At the end of both fiscal years 1993 and 1994, the board compared the actual time the staff members worked on projects to the hours they had charged to the projects. It discovered differences each year, but did not make proper corrections to the payroll charges in cases where the actual time spent did not correlate to the predetermined percentages. The board must reduce the payroll charges to the Labor Interpretive Center project by \$4,283 in order to fairly present actual project costs. We found similar errors for the Military Affairs Armory project. Finding 5 discusses these errors later in this chapter.

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Other than the payroll error noted, the expenditures shown in Table 3-2 provided direct and exclusive benefit to the Labor Interpretive Center project. The board expended these funds in compliance with the applicable appropriation laws. These expenditures represent allowable and appropriate uses of general obligation bond proceeds.

Military Affairs Armory

The Department of Military Affairs is planning to build a new armory within the capitol area, at University Avenue and Rice Street in St. Paul. During the audit period, the board hired an architectural firm to determine, among other things, the design needs, site evaluations, and a design framework for the new armory. Table 3-3 summarizes the board's expenditures for the Military Affairs Armory project as of June 30, 1994.

**Table 3-3 - Military Affairs Armory
Summary of Project Costs**

Winsor Faricy Architects, Inc. (consultants)	\$28,282
Staff payroll (1)	4,773
Advisory committee (2)	4,520
Other	<u>1,934</u>
Total Project Expenditures through June 30, 1994	<u><u>\$39,509</u></u>

- (1) Total payroll represents an overpayment of \$505 to the project, as discussed in finding 5.
(2) Payments to advisory committee members are discussed in Chapter 2.

Source: Analysis of statewide accounting system expenditures.

As with the Labor Interpretive Center, we found that the board did not properly allocate staff payroll costs to the Military Affairs Armory project. As a result, the board has overcharged the armory project \$505 for staff payroll. We provide more detailed information about this error in finding 5 of this chapter. Other than the payroll error, we believe the expenditures shown in Table 3-3 provided direct and exclusive benefit to the Military Affairs Armory project. The board expended these funds in compliance with the applicable appropriation laws.

5. The board overcharged some projects for staff payroll costs.

In at least five projects, the board incorrectly charged staff payroll costs. During 1993 and 1994, the board charged staff time to projects based on predetermined percentages. At year end, the board compared the percentages to actual staff time recorded and identified payroll adjustments. We found, however, that the board did not make the proper adjustments to correct these errors.

As a result of its fiscal year 1993 analysis, the board determined that it had overcharged the Labor Interpretive Center project by 355 hours of staff time, resulting in an overcharge of \$6,472. However, the board only reduced the project's costs by \$2,188, leaving a remaining overcharge of \$4,283. The board made a similar, but smaller, error of \$201 in the Executive Office Building project. After fiscal year 1994, the board identified that it had overcharged the Military Affairs Armory project. A remaining overcharge of \$505 exists on that project. It also had overcharged

Capitol Area Architectural and Planning Board

two Department of Administration project accounts, the strategic planning account and the mall restoration account, by \$1,330 and \$167, respectively. The board has not corrected these errors.

Starting in fiscal year 1995, the board has changed the way that it charges payroll costs to projects. Staff now only charged time to projects when they actually work on them. The board charges any time the staff do not spend on specific projects to its General Fund appropriation. This method of charging time is more accurate and timely, and should prevent future errors.

Recommendation

- *The board should work with the Department of Finance to correct the project payroll errors from fiscal years 1993 and 1994.*

Department of Administration Projects

During fiscal years 1992, 1993 and 1994 the board charged \$129,227 of project costs to appropriation accounts maintained by the Department of Administration. When funding arrangements create the need for these joint projects, the agencies involved should negotiate how they will allocate the appropriated funds, and what their respective duties will be. We found that the board had not formalized interagency agreements with the Department of Administration for expenditures incurred during the audit period.

6. PRIOR FINDING NOT RESOLVED: The board does not adequately control projects conducted jointly with the Department of Administration.

The board has continued to participate in joint projects with the Department of Administration without formally agreeing to the roles and responsibilities of the parties or the project budgets for those duties. In recent years, the board has worked with the Department of Administration to develop an interagency agreement. Although there is a draft of this document, neither party has signed it. When the board participates in a joint project with important elements not formally defined, it may perform unneeded or duplicative services or may incur costs that are not reimbursable.

Recommendation

- *The board should establish written agreements for any joint projects.*

Chapter 4. Administrative Expenditures and Other Issues

Chapter Conclusions

Except for certain travel disbursements noted in a separate report titled, "Special Review: Certain Activities of the Executive Secretary," the board expended its General Fund appropriation in a reasonable and prudent manner.

We found that the board had not defined the appropriate purchasing procedures for staff to use in place of the policies and procedures established by the Departments of Finance and Administration. Also, the board had not appropriately established its relationship with the Department of Administration to provide administrative support services.

Our audit objectives in this area were to determine the following:

- Did the board expend its General Fund appropriations to conduct administrative and operating functions in a reasonable and prudent manner?
- Has the board defined the appropriate policies and procedures staff should use for purchasing and contracting?
- Is the board's use of the Department of Administration's Fiscal Services Unit appropriate?

Table 4-1 shows the board's General Fund appropriations for fiscal years 1992, 1993, and 1994, and shows how the board expended those funds.

Table 4-1 - General Fund Appropriations

	Fiscal Year		
	1992	1993	1994
Appropriation	\$236,000	\$236,000	\$326,000
Balance Forward from Prior Year	0	6,004	0
Transfers In	0	0	580
Dedicated Receipts	1,045	878	220
Funds Available	<u>\$237,045</u>	<u>\$242,881</u>	<u>\$326,800</u>
Payroll	\$198,944	\$191,855	\$205,640
Contracts, Professional Services	17,323	14,000	8,738
Travel (1)	4,603	1,434	345
Other operating costs	10,036	25,288	31,122
Total Administrative Expenditures (2)	<u>\$230,906</u>	<u>\$232,577</u>	<u>\$245,844</u>
Transfers Out	\$ 135	\$ 1,461	\$ 75,000(3)
Balance Forward to Next Year	6,004	0	5,956
Appropriation Cancellation	0	8,843	0
Funds Used	<u>\$237,045</u>	<u>\$242,881</u>	<u>\$326,800</u>

(1) Reviewed as part of Office of the Legislative Auditor Special Investigation Report, titled, "Special Review: Certain Activities of the Executive Secretary."

(2) The board also incurred payroll and other current expenditures which it charged directly to projects. (See Chapter 3.)

(3) Transferred for Hubert H. Humphrey memorial planning.

Source: Analysis of statewide accounting records.

Capitol Area Architectural and Planning Board

We concluded that, except for issues discussed in the separately issued report titled, "*Special Review: Certain Activities of the Executive Secretary*," the board expended its General Fund appropriations in a reasonable and prudent manner to conduct the necessary business of the organization.

One of the unique aspects of the Capitol Area Architectural and Planning Board is that the statutes give it nearly blanket exemption from the statutory provisions of Minn. Stat. Chapters 16A and 16B. These chapters create the Departments of Finance and Administration and provide broad administrative policies for most state agencies. We found that the staff do not have policies and procedures to guide them in conducting transactions and that there is no specific legal authority for board staff to rely upon the Department of Administration to process its transactions.

7. The board has not developed policies and procedures to guide staff in the areas of accounting, purchasing and contracting.

The board has not formally established procedures for the areas of purchasing, contracting, or any other areas normally controlled by the Departments of Finance and Administration. Although the board was involved in project matters, it generally was not involved in administrative decision-making. The board allowed the executive secretary to set the policies in this area. The board should establish formal purchasing and contracting procedures for the agency. The board could consider adopting the provisions of Minn. Stat. Chapters 16A and 16B, perhaps with some exceptions for specific situations where the board feels it needs greater discretion. The board should require that exceptions to the normal policy be discussed with them prior to implementation. This would put the decision making power back at the board level, provide the staff with appropriate operating guidelines, and provide a method for assessing staff performance.

Recommendation

- *The board should adopt formal operating policies for its staff in the areas of purchasing and contracting.*

8. The board had not appropriately established its relationship with the Department of Administration to provide administrative support services.

There is no statutory reference requiring the Department of Administration to provide the board with administrative services. Although the Fiscal Services Unit does provide these services to other small boards and agencies, generally it occurs only with specific legal authorization. The board should obtain this authority through the Commissioner of Administration, as provided for in Minn. Stat. Section 16B.37, Subd. 4, if it wishes to continue its administrative relationship with the Department of Administration.

Recommendation

- *The board should clarify its relationship with the Department of Administration's Fiscal Services Unit for its accounting and administrative services. If necessary, it should seek legal authority to use the Department of Administration.*



STATE OF MINNESOTA

OFFICE OF THE LIEUTENANT GOVERNOR
130 STATE CAPITOL
SAINT PAUL 55155

JOANNE E. BENSON
LIEUTENANT GOVERNOR

May 16, 1995

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
St. Paul, MN 55155

Dear Jim:

I am enclosing my response to the draft audit report summarizing the results of your financial audit of the Capitol Area Architectural and Planning Board, for the period from July 1, 1994 through June 30, 1994.

Please contact me if you should have any questions.

Sincerely, ..

A handwritten signature in cursive script that reads "Joanne E. Benson".

JOANNE E. BENSON
Lieutenant Governor

JEB/gcs

Enclosure

Response to the Draft Audit Report of the Capitol Area Architectural Planning Board

Chapter 1. Introduction

As Lieutenant Governor, I am the Chair of the Capitol Area Architectural Planning Board (CAAPB). I am responding on behalf of the CAAPB to the findings of the Legislative Audit Commission for the period of July 1, 1991 - June 30, 1994. Since I have been in this position only for a few months, it has been difficult to understand how this particular board has functioned in the past. I welcome the audit report findings since it will enable the CAAPB to set into place appropriate management practices to fulfill our statutory mission. I have felt the need for more formal arrangements to be made with individuals and other departments and agencies. The report also points to this need and the necessary changes will be made.

The CAAPB mission is to "preserve and enhance the dignity, beauty and architectural integrity of the capitol, the buildings immediately adjacent to it, the capitol grounds and the capitol area". To fulfill that mission, the CAAPB must approve any projects affecting the buildings or grounds and coordinate those projects with the board's comprehensive use plan for the capitol area. One of our first needs is to update our Comprehensive Use Plan and coordinate it with the Department of Administration's Strategic Plan. I am very pleased that the audit report finds that "generally, the board had properly administered its capital projects to ensure that it expended the funds in accordance with appropriation laws, and, if applicable, with bond restrictions."

Chapter 2. Advisory Committee

Chapter 2 of the audit report deals with the structure, role and compensation of the advisory committee. The CAAPB Advisory Committee was compared to the State Designer Selection Board that advises the Department of Administration (DOA) in the selection of designers for state buildings. The recommendations and responses follow:

Committee Structure

Recommendation: The board should set appropriate terms for membership on the advisory committee.

Response: The board will review Minnesota Statutes, Chapter 15.50 subd. 2(h), and Chapters 15.057 and 15.059, for information on the governance of other boards and make changes in accordance with standard practice, keeping in mind our special mission.

Committee Role

Recommendation: The board should establish a policy prohibiting advisory committee members from providing contractual services for board projects.

Response: The board will examine the functions of the advisory board as it has operated in the past and make changes that will prevent any appearance of conflict of interest on the part of the advisors. We will work with DOA to prevent any duplication of services and to use their staff for technical support as is appropriate.

Committee Compensation

Recommendation: The board should establish an appropriate compensation policy for members of the advisory committee.

Response: The dual nature of the advisory committee as it operated in the past was part of the reason for compensation that does not follow the \$55 per diem allowed for other advisory council members. CAAPB advisors also did work as consultants. As we make an appropriate determination of their role, we will make changes in the compensation policy that reflects their true role.

Chapter 3. Project Expenditures

Roy Wilkins Memorial

Recommendations: The board should formalize an agreement with the Roy Wilkins Memorial Community Advisory Council concerning the project.

The board should develop agreements with organizations financially involved with other upcoming projects.

Response: I have already directed that the board formalize a signed agreement with the Roy Wilkins Memorial Community Advisory Council concerning the project. This will be standard practice in the future with upcoming projects.

Labor Interpretive Center

The audit report produced no recommendations.

Military Affairs Armory

Recommendation: The board should work with the Department of Finance to correct the project payroll errors from Fiscal Years 1993 and 1994.

Response: The practices that produced these discrepancies have already been changed. We will pay back any amount owed for any payroll errors from Fiscal Years 1993 and 1994.

Department of Administration Projects

Recommendation: The board should establish written agreements for any joint projects.

Response: Written agreements for any joint projects will be signed. We are already in discussion with DOA concerning this.

Chapter 4. Administrative Expenditures and Other Issues

Recommendation: The board should adopt formal operating policies for its staff in the areas of purchasing and contracting.

Response: The CAAPB will establish the proper relationships with DOA and DOF to ensure that proper procedures and policies are followed when purchasing and contracting.

Recommendation: The board should clarify its relationship with the Department of Administration's Fiscal Services Unit for its accounting and administrative services. If necessary, it should seek legal authority to use the Department of Administration.

Response: Work will start immediately with legal authorities to formalize our relationship with DOA's Fiscal Services Unit for accounting and administrative services.

Conclusion.

We want to develop a positive, cooperative effort to look at the statutory mission. Our mission should drive our decisions on staff, policy and management practices. We will be looking for cooperative efforts with other departments and agencies such as Fiscal Services, Department of Administration, and Finance to make sure we avoid duplication and improve efficiency while being cost effective. Other boards and commissions will be useful as models. By October 1, 1995, we will be implementing necessary changes as indicated by the audit report.

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