

Minnesota Amateur Sports Commission

Financial Audit

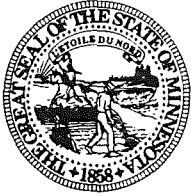
For the Three Years Ended June 30, 1994

December 1995

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

95-51



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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Minnesota Amateur Sports Commission

Members of the Minnesota Amateur Sports Commission


Mr. Paul Erickson, Executive Director
Minnesota Amateur Sports Commission


We have conducted an audit of the Minnesota Amateur Sports Commission for the period July 1, 1991 through June 30, 1994, except for selected appropriation laws which we reviewed through fiscal year 1995, as further explained in Chapter 1. Our audit scope included: a review of compliance with applicable appropriation laws, loan repayment receipts, personnel service expenditures, professional technical service contracts, and purchased services expenditures. The following Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We have conducted our audit in accordance with generally accepted government auditing standards. These 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 Minnesota Amateur Sports Commission complied with provisions of laws, regulations, and contracts that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the Minnesota Amateur Sports Commission. This restriction is not intended to limit the distribution of this report, which was released as a public document on December 1, 1995.

We thank the Minnesota Amateur Sports Commission staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 30, 1995

Report Signed On: November 22, 1995

SUMMARY

State of Minnesota

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

Minnesota Amateur Sports Commission

Financial Audit
For the three years ended June 30, 1994

Public Release Date: December 1, 1995

No. 95-51

Agency Background

The Minnesota Amateur Sports Commission (MASC) was created to create economic development through amateur sport, to create the maximum opportunity for sport participation for all Minnesotans, and to establish Minnesota as a national model for the Olympic and amateur sport movement. The commission consists of twelve voting members and four nonvoting members. The commission membership must have four members experienced in promoting amateur sports.

Audit Areas and Conclusions

Our audit scope included a review of compliance with applicable appropriation laws, loan repayment receipts, and the commission's administrative expenditures, including payroll, contracts and purchased services. Because of their special significance, we also reviewed fiscal year 1995 expenditures for the Indigenous Games and for Target Center rental.

We found that the MASC complied with the appropriation laws affecting fiscal years 1992 through 1994. The MASC had disbursed \$256,713 of the Indigenous Games appropriation to the Minnesota Chippewa tribe by August 31, 1995. The Indigenous Games appropriation stated that "the appropriation was available until June 30, 1995". The Department of Finance allowed the MASC to continue to use the appropriation after June 30 to pay for remaining expenditures of the games.

The MASC executed a contract with the Metropolitan Sports Facilities Commission to make an annual payment of \$750,000 for a long-term lease providing the MASC with access to the Target Center. Under the lease agreement, the MASC will continue to provide \$750,000 per year to the Target Center, despite the number of dates the MASC is able to utilize the facility. During fiscal year 1995, MASC made its first \$750,000 annual payment, although the MASC did not use the Target Center for any days.

We found that the MASC's payroll and other administrative expenditures were properly approved, reasonable and in compliance with applicable laws and regulations, and that the MASC accurately paid and recorded its administrative expenditures in the statewide accounting system. However, we found that the MASC had not developed a record retention policy for its financial records, as required by Minn. Stat. Section 15.17.

Contact the Financial Audit Division for additional information.

296-1235

Minnesota Amateur Sports Commission

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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
Mary Annala, CPA	Auditor-in-Charge
Jenny Lee	Auditor

Exit Conference

We discussed the results of the audit and this report with Paul Erickson, the executive director of the Minnesota Amateur Sports Commission on August 22 and November 9, 1995.

Minnesota Amateur Sports Commission

Chapter 1. Introduction

The 1987 Legislature created the Minnesota Amateur Sports Commission (MASC) which operates under Minn. Stat. Chapter 240A. The purpose of the Minnesota Amateur Sports Commission, according to its mission statement, is to "elevate the social and economic benefits of sport to enrich the lives of all Minnesotans". Its stated goals are to create economic development through amateur sport, to create the maximum opportunity for sport participation for all Minnesotans, and to establish Minnesota as a national model for the Olympic and amateur sport movement. Paul Erickson was appointed as the executive director of the commission in September 1987 and continues to serve in that capacity.

Statutory guidelines establish the commission's membership. The commission consists of twelve voting members and four nonvoting members. The commission membership must have four members experienced in promoting amateur sports. Of the total commission membership, including voting and nonvoting members, one member must reside in each of the state's congressional districts. The commission members are gubernatorial and legislative appointments. The Governor appoints nine voting members to three year terms. The Governor, Speaker of the House of Representatives, and Senate Majority Leader appoint an additional three voting members to two year terms. The purpose of the three additional voting members is to ensure gender balance in the commission membership. The four nonvoting members consist of Legislators, two from the House and two from the Senate. The commission conducts monthly meetings, which are open to the public.

Minn. Stat. Section 240A.03, Subd. 13, empowers the commission to establish nonprofit corporations and charitable foundations. It has also established working relationships with other organizations interested in amateur sports. Table 1-1 summarizes the various organizations affiliated with the MASC. These organizations fund events through private donations, sponsorships and other fund raising activities. Three of the organizations, the National Sports Center Foundation, Star of the North State Games, and Minnesota Amateur Sports Commission Foundation, are nonprofit corporations. Our audit of MASC did not extend to an examination of the financial records of any of these organizations.

Minnesota Amateur Sports Commission

Table 1-1 Organizations Associated with the MASC

Organization	Purpose
National Sports Center Foundation	Operate the National Sports Center in Blaine
MN Amateur Sports Commission Foundation	Conduct charitable fundraising to provide sports grants
Star of the North Games, Inc.	Plan and administer the Star of the North Winter and Summer Games
Breaking Barriers Girls' & Women's Sports Programs	Work to increase girls' athletic programs
MN Amateur Sport Ethic Initiative	Promote safe and healthy sports activities
Governor's Council on Physical Fitness and Sports	Study and recommend programs to enhance general fitness, awareness, and sports participation
Mighty Ducks Task Force	Study ice issues in Minnesota
MN Senior Games Board	Promote statewide senior games

Source: Minnesota Amateur Sports Commission internal documents.

The affiliated organizations work with MASC to plan and administer amateur sporting events. The MASC and the organizations function through a process of open communication, cooperation and common goals. The MASC commission members are not voting board members of any of these affiliated organizations. These organizations do not receive direct financial support from the MASC. However, the MASC and its commission members provide support staff and technical advice and incur some incidental office expenditures on behalf of these organizations.

During its existence, the MASC has been responsible for planning the construction of seven athletic facilities. The primary goal in building and improving facilities has been to serve the needs of athletes. Table 1-2 summarizes the facilities constructed or improved by the MASC. The MASC received state appropriations to finance land and construction contracts for these facilities.

The National Sports Center in Blaine is the only facility owned by the MASC. It was constructed in 1990. The commission has a contract with the National Sports Center Foundation (NSCF) to operate the National Sports Center. The foundation operates the center primarily for the purpose of holding youth oriented athletic functions and events. The foundation is responsible for the operating costs of the facility. The facility houses both the foundation and commission offices. The commission reimburses the foundation for its prorata share of the operating costs according to an agreement established between the two parties. The contractual

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agreement between the MASC and the NSCF began on August 30, 1991, and will expire June 30, 1995. Currently, the MASC and the NSCF are negotiating a new contract to operate the National Sports Center.

A private CPA firm audits the NSCF's activities. We did not examine the NSCF's financial records. The NSCF's audit report for the last few years has raised issues of the NSCF's ability to continue as a going concern due to significant working capital deficit and a net fund deficit. The NSCF audited financial statements show, however, that it has generated a profit for the past three years, reducing its fund balance deficit from (\$361,173) as of December 31, 1992 to (\$106,124) as of December 31, 1994.

Table 1-2
State Funded Amateur Sports Facilities

<u>Name</u>	<u>Location</u>	<u>State Investment</u>	<u>Operational Responsibility</u>	<u>Ownership</u>
National Sports Center	Blaine	\$14.7 million (1987)(1) \$400,000 (1992) (1) \$119,000 (1994) (2)	National Sports Center Foundation	Minnesota Amateur Sports Commission
U of M Aquatic Center	Minneapolis	\$3 million (1987) (1)	University of Minnesota	University of Minnesota
National Hockey Center	St. Cloud	\$9.5 million (1987) (4)	St. Cloud State University	St. Cloud State University
Giants Ridge Recreation Area	Biwabik	\$2.2 million (1987) (3)	Iron Range Resources & Rehabilitation Board	Iron Range Resources & Rehabilitation Board
Nat'l Whitewater Kayak Center	Carlton	\$260,000 (1987) (1)	Carlton Area Chamber of Commerce Kayak Committee (in cooperation with U of M, Duluth)	Carlton County
Ole Mangseth Memorial Ski Jump	Coleraine	\$175,000 (1989) (2)	Itasca Ski & Outing Club	City of Coleraine
John Rose Minnesota Oval	Roseville	\$1.9 million (1992) (1) \$500,000 (1994) (2)	City of Roseville	City of Roseville

Notes:

- (1) Department of Trade and Economic Development appropriation legislation on behalf of MASC.
- (2) MASC appropriation.
- (3) Iron Range Resources and Rehabilitation Board appropriation.
- (4) State University System appropriation.

Source: Minnesota Amateur Sports Commission publication.

Chapter 2. Appropriation Control

Chapter Conclusions

The MASC complied with the appropriation laws affecting fiscal years 1992 through 1994. The MASC received an operating appropriation each year, as well as legislative appropriations for specific projects to construct or improve athletic facilities. Because of their special significance, we expanded our audit work to review fiscal year 1995 expenditures for the Indigenous Games and for Target Center rental.

The Indigenous Games were held from July 31 to August 6, 1995. The MASC received a \$300,000 appropriation to help the Minnesota Chippewa tribe host the games. The MASC had disbursed \$256,713 to the tribe by August 31, 1995. The Indigenous Games appropriation stated that "the appropriation was available until June 30, 1995." The Department of Finance allowed the MASC to continue to use the appropriation after June 30 to pay for remaining expenditures of the games.

The MASC executed a contract with the Metropolitan Sports Facilities Commission to make an annual payment of \$750,000 for a long-term lease providing the MASC with access to the Target Center. Under the lease agreement, the MASC will continue to provide \$750,000 per year to the Target Center, despite the number of dates the MASC is able to utilize the facility. During fiscal year 1995, MASC made its first \$750,000 annual payment, although the MASC did not use the Target Center for any days.

The MASC received General Fund appropriations to finance its operations. In addition to the General Fund appropriations, the MASC received appropriations to create and enhance amateur sports throughout the state. The MASC has been involved with special legislation to promote athletic events and to provide for facility construction and expansion.

We focused our review of the MASC's appropriations on the following objectives:

- Has the MASC complied with the financial provisions of the appropriation laws?
- Were expenditures made consistent with the appropriation provisions?
- Were expenditures properly recorded on the statewide accounting system?

To achieve these objectives we obtained and reviewed the appropriation legislation. We discussed the appropriation laws with key individuals. We obtained and reviewed applicable

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commission minutes, financial documents and statewide accounting system reports to verify compliance with appropriation language.

Table 2-1 summarizes the various legislative appropriations associated with MASC activities for fiscal years 1992 through 1995. The table outlines the status of the appropriations and the related projects.

Table 2-1 - Summary of Applicable Appropriation Laws

Legal Reference	Appropriation Amount	Description	Status
Laws 1994 Ch. 632, Art. 3, Sec. 10	\$300,000	Matching grant to the Minnesota Chippewa Tribe for the cost of 1995 Indigenous Games	Games held July 31 through August 6, 1995
Laws 1994 Ch. 643, Sec. 4, Subd. 2	\$119,000	National Sports Center Parking Expansion	Completed June 1994
Laws 1994 Ch. 643, Sec. 4, Subd. 3	\$500,000	John Rose Memorial Oval Speedskating Facility expansion	Pending agreement with City of Roseville
Laws 1994 Ch. 643, Sec. 4, Subd. 4	\$2,500,000	Indoor National Shooting Sports Center (also canceled previous \$2,500,000 appropriation from 1990 legislation)	Pending agreement between MASC and DNR, no funds expended to date
Laws 1994 Ch. 648, Art. 1, Sec. 17	\$750,000	Annual appropriation for use of Target Center for amateur sports activities	Contract between parties signed and effective March 1, 1995
Laws 1993 Ch. 192, Sec. 20	\$451,000 (FY94) \$451,000 (FY95)	General operating appropriation (included \$15,000 for promotion of women's sports)	MASC in compliance with provisions
Laws 1993 Ch. 192, Sec. 83, Subd. 15	\$0	Allows MASC to accept paid advertising in its publications	No advertising revenue received to date
Laws 1993 Ch. 373, Sec. 25, Subd. 4	(\$2,500,000)	Canceled appropriation for Holmenkollen Ski Jump from 1990 legislation	No funds expended
Laws 1991 Ch. 345, Art. 1, Sec. 24	\$544,000 (FY93) \$543,000 (FY92)	General operating appropriation. Also cited loan repayments from NSCF	MASC in compliance with provisions. Loan repayments completed.
Laws 1990 Ch. 610, Art. 1, Sec. 25, part (c)	\$8,500,000	National Sports Center seating expansion, contingent on hosting 1994 World Soccer Cup	Canceled, NSCF not picked as a host, no funds expended

Source: Minnesota State Laws and MASC internal information.

The MASC complied with the provisions of the appropriation laws. The commission properly expended the appropriated funds, in compliance with the applicable legislative guidelines.

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Because of the special significance of two appropriations the MASC received during the 1994 legislative session, we expanded our audit work to review expenditures the MASC made during fiscal year 1995 for the Indigenous Games and for Target Center rental.

Indigenous Games

Laws of 1994, Chapter 632, Article 3, Sec. 10 granted \$300,000 to the Minnesota Chippewa tribe to offset the costs of promoting and hosting the 1995 Indigenous Games. The legislation stated that "the appropriation was available until June 30, 1995, and the grant may not be made unless matched by an equal amount from nonpublic sources." The MASC was responsible for the distribution of grant funds to the Minnesota Chippewa tribe. The MASC received copies of the bank receipts and donation checks to document the collection of private funds totally \$332,320 as of June 1995. The MASC reviewed invoices and supporting documentation to determine the appropriateness of event expenses prior to the distribution of grant funds. The MASC had disbursed \$256,713 of the grant funds as of August 31, 1995. The MASC anticipates the total cost of the 1995 Indigenous Games to be approximately \$1.2 million.

We were concerned about the MASC's ability to retain the appropriation after June 30, 1995 and continue to pay the Chippewa tribe for its expenses. It was unclear to us as to whether the MASC could continue to distribute funds from the Indigenous Games appropriation after June 30, 1995, based on the appropriation law language. The Department of Finance allowed the MASC to spend funds after June 30, 1995 because MASC had encumbered the funds prior to June 30 and intended to pay most of the remaining appropriation shortly prior to and during the actual event. The Indigenous Games occurred from July 31 through August 6, 1995.

Target Center Rental

Laws of 1994, Chapter 648, Article 1, Sec. 17, states, "\$750,000 is appropriated annually from the General Fund to the Minnesota Amateur Sports Commission for the purpose of entering into long-term leases, use or other agreements with the Metropolitan Sports Facilities Commission for the conduct of amateur sports activities at the basketball and hockey arena." The legislation stipulates the MASC gains the rights to fifty dates at the Target Center in exchange for the \$750,000 appropriation. At the time the legislature passed the appropriation law, it anticipated that the Metropolitan Sports Facilities Commission would purchase the Target Center.

Even though the Minneapolis Community Development Agency eventually became the owners of the Target Center, it was determined that the provision of law relating to the Minnesota Amateur Sports Commission's (MASC's) use of the Target Center was still valid.

As a result, on March 1, 1995, the Minnesota Amateur Sports Commission (MASC), Ogden Entertainment Services, Inc. and Metropolitan Sports Facilities Commission entered into an agreement providing the MASC with rights to use the Target Center for up to fifty event dates per year. MASC officials told us that they felt obligated to enter into a contract for use of the Target Center and that they believed that they had limited discretion in negotiating the contract terms. Although the contract allows the MASC to use the Target Center for up to fifty event dates, the MASC must still pay the incremental operating costs if it uses the Target Center. These charges include such items as electricity, janitorial services, and restocking fees. The MASC anticipates that it will cost up to \$12,000 for each day it uses the Target Center, depending on the size of the event.

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Although the use agreement became effective on March 1, 1995, the MASC did not use any event dates at the Target Center during fiscal year 1995. The MASC executive director expressed concerns about the cost of programming events suitable for the Target Center, as well as the operating charges the commission would incur for each day it uses the Target Center. Accordingly, the MASC does not believe that it can use the Target Center for fifty days in any of the upcoming years. The MASC anticipates using the facility for three to six dates during fiscal year 1996.

According to the contract, the MASC is obligated to pay the entire \$750,000 annually to the Metropolitan Sports Facilities Commission even when it does not use fifty event dates. The MASC believes that the legislature intended the appropriation to provide a guaranteed revenue stream for the Target Center bonds, and did not intend for the payment to be contingent on the MASC's usage of the Target Center facility.

Chapter 3. Payroll and Other Administrative Expenditure Issues

Chapter Conclusions

We found that the MASC's expenditures were:

- properly approved and consistent with its purpose,*
- reasonable and in compliance with applicable laws and regulations,*
and
- accurately paid and recorded in the statewide accounting system.*

However, we found that the MASC has not developed a record retention policy for its financial records, as required in Minn. Stat. Section 15.17.

Each year, the MASC receives a General Fund appropriation from the Legislature to finance its operating costs. The MASC received \$544,000 for fiscal year 1992, \$543,000 for fiscal year 1993, and \$451,000 for fiscal year 1994. Table 3-1 summarizes the MASC's administrative expenditures for the three fiscal years ended June 30, 1994. The MASC's largest administrative expenditures were payroll and professional technical services. The executive director approves all disbursements, including payroll, and the executive secretary processes them through the statewide accounting system.

Table 3-1
Summary of Administrative Expenditures
For the Three Years Ended June 30, 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Payroll	\$308,092	\$317,250	\$331,441
Professional/Technical Services	34,748	35,230	37,198
Purchased Services	3,121	2,570	2,883
Other	<u>103,202</u>	<u>87,118</u>	<u>71,303</u>
Total	<u>\$449,163</u>	<u>\$442,168</u>	<u>\$442,825</u>

Source: Statewide Accounting System Reports as of 9/5/92, 9/3/93, and 9/2/94.

During the audit period, the MASC assumed more responsibility for processing its own administrative expenditures. The Department of Trade and Economic Development (DTED) had provided the administrative support services for the MASC since its inception of May 1987. In October 1992, MASC began to process its own transactions.

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The methodology we used to audit administrative expenditures included interviewing MASC staff to gain an understanding of the disbursement process. We performed analytical procedures for administrative expenditures to evaluate any trends in specific account classes throughout the audit period. We also reviewed and analyzed certain administrative expenditures for reasonableness. Furthermore, we selected a sample of expenditure transactions and performed tests to verify accuracy and compliance with applicable legal provisions.

Payroll

The MASC has seven full-time employees and usually three to four part-time/seasonal employees. The executive director approves employee time sheets and leave requests. The executive secretary prepares and approves the personnel forms for the employees' salary and benefits. The executive secretary also enters the payroll information into the state's payroll system.

We focused our review of payroll on the following objective:

- Were payroll expenditures properly authorized, adequately supported, and accurately processed and reported?

Our review of the payroll expenditures concluded that MASC properly authorized, adequately supported, and accurately processed and recorded its payroll .

Professional/Technical Services

The MASC contracts with vendors for a variety of services. The MASC followed contracting policies and procedures to develop contracts. The MASC reviewed and approved the invoices for payment and entered them into the statewide accounting system.

We focused our review of professional/technical services on the following objectives:

- Were expenditures properly authorized, processed, recorded, and accurately paid through statewide accounting?
- Were expenditures reasonable and in compliance with the applicable criteria?

Our review of professional/technical services expenditures found that the MASC properly authorized, processed, recorded, and paid through the statewide accounting system. We concluded that professional/technical service expenditures to be reasonable and in compliance with the applicable laws and regulations.

Purchased Services

The MASC purchased \$8,574 in miscellaneous goods and services during the audit period. The MASC received the goods and services, approved the invoice for payment, and entered the transactions into the statewide accounting system.

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We focused our review of purchased services on the following objectives:

- Were payments made to vendors properly authorized?
- Did the MASC properly record purchases onto statewide accounting?

Our review of purchased services found that the payments made to vendors were properly authorized and accurately paid. We concluded that expenditures for purchased services to be reasonable and properly recorded.

Records Retention

During our audit, we became aware of the following issue relating to records retention:

- 1. The Minnesota Amateur Sports Commission did not develop a records retention schedule as required by state law.**

The Minnesota Amateur Sports Commission does not have a written records retention schedule. Minn. Stat. Section 15.17, Subd. 2, states that 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 a records retention panel and a process to inventory state records. The Department of Administration's Information Policy Office coordinates the records inventory process. A formal records retention schedule helps ensure the preservation of records for legal, auditing and historical purposes.

Recommendation

- *The Minnesota Amateur Sports Commission should work with the Department of Administration in preparing a records retention schedule.*



MINNESOTA AMATEUR
SPORTS COMMISSION
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November 16, 1995

Ms. Jeanine Leifeld, CPA
Audit Manager
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Jeanine:

In response to the draft audit report of the Minnesota Amateur Sports Commission (MASC) for the three years ending June 30, 1994, I am directly responding to the Records Retention citation. First of all, I would like to report that the MASC has retained of all its records to date and have not destroyed anything relative to the programs and operation of the MASC since its inception. Due to the fact that we were unaware of Minn. Stat. Section 15.17, Subd. 2 and Section 138.17, the MASC has not had a formal records retention plan in place.

The MASC has contacted the Department of Administration, Information Policy Office, regarding the process to establish a sufficient records retention plan. All the necessary paperwork and corresponding instruction material is being forwarded to our office. Upon receipt, staff will begin developing a records retention plan for the MASC. As this plan is being developed, consideration will be given to all past, current and future records and pertinent information of the MASC, that would require some form of retention plan. The compilation of this plan will involve the input from all MASC staff. It is intended to have the plan developed and implemented within six months of receipt of information from the Department of Administration. Upon implementation of the plan, a review and/or revision of the plan will be conducted on an annual basis. The content of the finalized records retention plan will be communicated to MASC staff with the intent of adhering to established guidelines.

Thanks again for your assistance and support. Please feel free to contact me if you have any questions or desire additional information.

Sincerely,

Paul D. Erickson
Executive Director
Minnesota Amateur Sports Commission