

Department of Trade and Economic Development

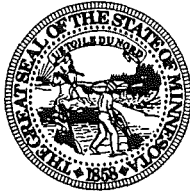
Programs Selected For Fiscal Year 1995 Statewide Audit

March 1996

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

96-9



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann H. Rest, Chair
Legislative Audit Commission

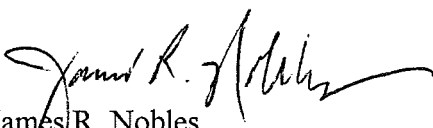
Members of the Legislative Audit Commission

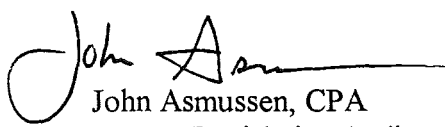
Mr. Jay Novak, Commissioner
Department of Trade and Economic Development

We have audited selected areas of the Department of Trade and Economic Development (DTED) for the fiscal year ended June 30, 1995, as further explained in Chapter 1. We emphasize that this has not been a complete audit of all financial activities of the department. The work conducted at DTED is part of our Statewide Audit of the State of Minnesota's fiscal year 1995 financial statements and Single Audit of federal financial assistance programs. The Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our report issued thereon, dated December 1, 1995. The Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1995 will include our reports on the supplementary information schedule of federal financial assistance, internal control structure, and compliance with laws and regulations. We anticipate issuing that report in June 1996. The following Summary highlights the audit objectives and conclusions.

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 DTED complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of DTED is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of DTED. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 1, 1996.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 1, 1995

Report Signed On: February 26, 1996

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155
612/296-4708

Department of Trade and Economic Development

Programs Selected For Fiscal Year 1995 Statewide Audit

Public Release Date: March 1, 1996

No. 96-9

Agency Background

The Department of Trade and Economic Development (DTED) is Minnesota's principal economic development agency. The department's mission is to facilitate an economic environment that produces new job growth in excess of the national average, and to increase nonresident tourism revenues. DTED's primary goal is to promote the state's economic climate in both metropolitan and outstate economies.

Audit Objectives and Scope

The primary objective of the Statewide Audit is to render an opinion on the State of Minnesota's financial statements. These financial statements are included in Minnesota's Comprehensive Annual Financial Report for fiscal year 1995. Our objectives included determining whether the state's financial statements present fairly its financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles. As part of our work we were required to gain an understanding of the internal control structure and ascertain whether the state complied with laws and regulations that may have a material effect on its financial statements.

The Statewide Audit is also designed to meet the requirements of the Single Audit Act of 1984, relating to federal financial assistance programs. The Single Audit Act requires us to determine whether the state has internal accounting and control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations, and to determine that the state complied with material rules and regulations.

The financial activities administered by the Department of Trade and Economic Development that we included in our audit scope were: Community Development Block Grant (CFDA #14.228) revenues and expenditures; cash, investments, loans receivable, and bonds payable of the Agriculture and Economic Resources Development Board; and Building Fund expenditures representing state match for the Water Pollution Control Revolving Account (CFDA #66.458).

Conclusions

The State of Minnesota's Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our audit opinion dated December 1, 1995. In addition, the compliance section of the Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1995 will include our reports on the supplementary information schedule of federal financial assistance, the internal control structure, and compliance with laws and regulations. We anticipate issuing that report in June 1996.

**Contact the Financial Audit Division for additional information.
296-1235**

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
Jim Riebe, CPA	Audit Manager
Mary Annala, CPA	Auditor-in-Charge
Fubara Dapper, CPA	Auditor

Exit Conference

This report and other matters involving the internal control structure were discussed with the following staff of the Department of Trade and Economic Development at the exit conference held on February 23, 1996.

Bonnie Burt	Senior Administrative Officer, Business and Community Development
Judy Charron	Accounting Manager, Fiscal Services
Steve Walter	Accounting Officer Senior, Fiscal Services

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Background Information

The Department of Trade and Economic Development (DTED) is Minnesota's principal economic development agency. The department's mission is to facilitate an economic environment that produces new job growth in excess of the national average and to increase nonresident tourism revenues. DTED's primary goal is to promote the state's economic climate in both metropolitan and outstate economies. The department's commissioner is appointed by the governor. E. Peter Gillette served as commissioner from February 1, 1991 to June 2, 1995. The department currently is headed by Jay Novak who was appointed on August 14, 1995.

The department's four divisions, discussed below, follow *Minn. Stat.* Chapter 116J.

- The Business and Community Development Division provides a variety of financial and technical services to communities, businesses, and economic development professionals. The division works in partnership with communities and businesses to create wealth and produce new quality jobs by growing existing businesses.
- The Office of Tourism's primary purpose is to generate increased travel expenditures by residents and nonresidents which produce additional sales and sales tax revenues. Division goals also include maintaining and enhancing employment opportunities throughout Minnesota's travel industry.
- The Minnesota Trade Office provides numerous services to Minnesota businesses. Services include education, counseling, and financing programs in export business. The division also provides a network of public/private supported foreign trade offices, trade shows, foreign trading delegations, market research, and strategies to identify and expand export markets for Minnesota products. The office also oversees the World Trade Center Corporation.
- The Administrative Office provides policy development, management coordination, and fiscal, human resource, and information management services to the department.

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Our audit scope included the financial activities presented in Table 1.

Table 1
Selected Financial Activities
Fiscal Year 1995

Minnesota Agricultural and Economic Development Board [1]

(Special Revenue Fund)

Loans Receivable	\$28,163,530
Investments	16,080,795
Cash and Cash Equivalents	11,098,088
Accrued Investment Income	<u>332,608</u>

Total Assets \$55,675,021

Bonds Payable \$31,617,280

Community Development Block Grant (CFDA #14.228) [2]

Federal Fund Expenditures	\$32,428,530
State Match	<u>252,409</u>
Total Expenditures	<u>\$32,680,939</u>

Public Facilities Authority State Match [3]

Building Fund Expenditures \$ 7,747,464

Sources:

- [1] Agricultural and Economic Development Board financial statements for the year ended June 30, 1995.
 - [2] Community Development Block Grant Schedule of Federal Financial Assistance.
 - [3] Statewide accounting system reports.
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We did not audit the financial statements of the Public Facilities Authority Water Pollution Control Revolving Fund (CFDA #66.458) except for the Building Fund state match expenditures presented above. A private CPA firm audited the financial statements and completed the compliance audit for this program.

The primary objective of the Statewide Audit is to render an opinion on the State of Minnesota's financial statements. The financial statements are included in Minnesota's Comprehensive Annual Financial Report for fiscal year 1995. Our objective included determining whether the state's financial statements present fairly its financial position, results of operations, and changes in cash flows in conformity with generally accepted accounting principles. As part of our work, we are required to gain an understanding of the internal control structure and ascertain whether the state complied with laws and regulations that may have a material effect on its financial statements.

The Statewide Audit is also designed to meet the requirements of the Single Audit Act of 1984, relating to federal financial assistance. The Single Audit Act includes two additional audit objectives that require us to determine whether:

- the state complied with rules and regulations, including general and specific compliance requirements, that may have a material effect on each major federal program;

Department of Trade and Economic Development

- the state has internal accounting and control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations.

To address our audit objectives, we interviewed key department employees, reviewed applicable policies and procedures, and tested representative samples of financial transactions. We confirmed cash, cash equivalents, and investment balances with the trustees of those assets.

The State of Minnesota's Comprehensive Annual Financial Report for the year ended June 30, 1995 includes our audit opinion dated December 1, 1995. In addition, the compliance section of the Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 1995 will include our reports on the supplementary information schedule of federal financial assistance, the internal control structure, and compliance with laws and regulations. We anticipate issuing that report in June 1996.